

# FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

The tyranny of the paper degree, Page 19

No. 30,549

Friday May 27 1988

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America	542.2	Indonesia	890.0	Portugal	261.20
Asia	348.50	Israel	183.50	Spain	187.10
Brazil	170.00	Italy	1170.00	Switzerland	254.10
Canada	102.00	Japan	1400.00	UK	241.40
China	100.00	Korea	110.00	USA	241.40
France	102.00	Malaysia	110.00		
Germany	102.00	Philippines	110.00		
Greece	102.00	Singapore	110.00		
Hong Kong	102.00	Taiwan	110.00		
India	102.00	Thailand	110.00		
Japan	1400.00	USA	241.40		
Latin America	102.00				
Mexico	102.00				
Norway	102.00				
South Africa	102.00				
Sweden	102.00				
Switzerland	254.10				
Taiwan	110.00				
UK	241.40				
USA	241.40				

## World News

### Syria, Iran agree to end conflict in south Beirut

Syria and Iran have at last agreed on the intervention by a joint Lebanese-Syrian disengagement and observation force to halt 20 days of bitter and bloody conflict between the rival Muslim Shia factions, Amal and Hizbollah, in the southern suburbs of Beirut.

### White police to hang

Two white South African policemen were sentenced to hang in Johannesburg for the murder of a black youth, who was beaten and shot.

### US move on Noriega

US diplomats began a round of consultations with Latin American governments in search of new options for bringing about the departure of General Manuel Antonio Noriega from Panama.

### Preroria bomb blasts

Four white women were injured when two bombs rocked streets packed with shoppers in the South African capital Pretoria. President P.W. Botha's National Party celebrated 40 years in power.

### Pressure on Seoul

Brushing aside the wave of anti-American protests in South Korea, the US stepped up pressure on the Seoul Government to open up its markets, cut its huge current account surpluses and ease up its restrictions on an economic power.

### OU elects chairman

The Organisation of African Unity (OAU) meeting at a summit in Addis Ababa, elected Malian President Moussa Traore as its chairman to replace Zambian President Kenneth Kaunda.

### Vietnamese withdrawal

Soviet officials said that Vietnam's planned withdrawal of 50,000 troops in Cambodia could improve relations between the Soviet Union and China. Vietnam said it would withdraw what it says is half of its troop strength in Cambodia between June and December, and the other 50,000 by 1990.

### Bush aide to resign

Chief President George Bush's chief spokesman, Mr Peter Teeley, said he intended to resign and accused other advisers of limiting his access to the likely Republican presidential nominee.

### Raid on Tamil camps

More than 6,000 Indian troops backed by helicopter gunships raided Tamil rebel camps near a northern fishing village.

### Danish parliament

The Danish parliament met for the first time since the May 10 election, with no sign of agreement on a government coalition.

### China flood toll rises

The death toll from massive flooding in south-east China rose to 126 and relief workers fear more rain could bring fresh disaster to the region this weekend.

### SLA hunt guerrillas

Pro-Israeli militiamen of the Christian-Lebanon South Lebanon Army (SLA), backed by Israeli air and ground forces, scoured a south Lebanese village for Muslim guerrillas in the second such hunt in two days.

### UDF election ban

South Africa's biggest anti-apartheid group, the United Democratic Front (UDF), and 17 other groups restricted by Pretoria last February will not be allowed to take part in October's municipal elections, Information Minister Stoffel van der Merwe said.

## Business Summary

### Boeing wins second major order for 757 aircraft

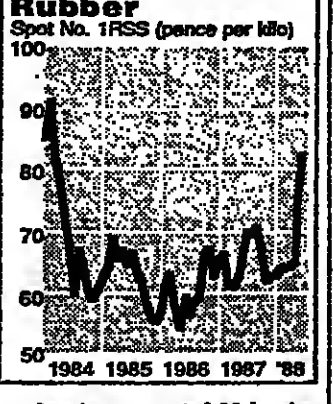
BOEING won its second large order in two days for its 757 airline when United Airlines, the Chicago-based carrier owned by Allegheny, announced it would buy 30 with options for 30 more having a total value of more than \$2bn.

### US Securities and Exchange Commission

US Securities and Exchange Commission voted to ask Congress to broaden substantially its power to halt securities trading during emergencies and to give it regulatory oversight over stock index futures.

### RUBBER continued its recent gains

Two white South African policemen were sentenced to hang in Johannesburg for the murder of a black youth, who was beaten and shot.



### overheating prompted Malaysian rubber officials

to try to dampen speculative interest as prices there surged to an eight-year high.

### TOKYO: The wait for revised first-quarter figures

on US GNP sent many investors to the sidelines with the Nikkei average falling 15.41 to close at 27,428.24.

### WALL STREET: The Dow Jones industrial average closed up 5.28

at 1,966.75.

### LONDON: Rowntree was the focus of attention as Swiss confectioner Jacobs

weighed in with a bid for the FTSE 100 index lost 2.6 to close at 7,853.42.

### DOLAR closed in New York at 124.575

DM1.7625, DM1.7625, Y12.44, Y12.44, Y12.44, Y12.44.

### STERLING closed in New York at \$1.86175

DM1.7625, DM1.7625, Y12.44, Y12.44, Y12.44, Y12.44.

### LILCO, the Long Island Lighting Company, is selling a \$5.8bn nuclear power station to the Long Island Power Authority for \$1.8bn

REBECHAM, UK pharmaceutical group, signed the first international licensing agreement by any company for the transfer of pharmaceutical technology to Saudi Arabia.

### LITTON Industries, California-based electronics and industrial products group, reported 23 per cent rise in third-quarter net profits to \$42.04m

BANK of France cut its main money market interest rates by a quarter of a percentage point making the new intervention rate band of 7-7.5 per cent its lowest for two years.

### ZURICH Stock Exchange may take action against Histo Swiss companies which impose excessive restrictions on the holding of their registered shares

DEUTSCHE Genossenschaftsbank, central institution for West Germany's co-operative banks, set up a partial group operating profit rise more than 5 per cent to DM57.8m (\$337m).

### ALAN BOND, Australian entrepreneur, is to sell for HK\$1.37bn (\$175.8m) a portfolio of six big residential property developments in Hong Kong

HONDA MOTOR, Japanese motor company, posted a 34.8 per cent increase in interim pre-tax profits to Y81.12bn (\$782.3m).

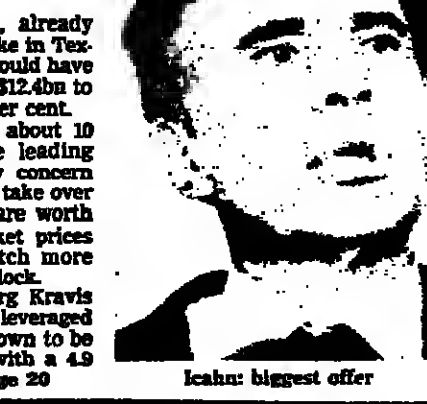
## Texaco officials describe Icahn takeover bid as a joke

BY ANATOLE KALETSKY IN NEW YORK

OFFICIALS AT Texaco yesterday described as "a joke" the offer by Mr Carl Icahn to buy their company - the third-largest oil producer and marketer in the US - for \$60 a share or \$14.5bn.

In fact, they found Pennzoil's claim so ludicrous that they did not even bother to contest the figure for damages before the Texas jury. Most Wall Street analysts went along with the joke and shrugged off Pennzoil's suit.

putting together a financing package for an asset-rich company like Texaco would present fewer problems than raising half that sum for a manufacturing or service business with less tangible property to be sold off and mortgaged.



Icahn: biggest offer

## Commission imposes anti-dumping tax on Japanese printers

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday imposed anti-dumping duties of up to 33.4 per cent on \$1.3bn worth of Japanese dot matrix computer printers in one of the biggest actions of its kind.

but they will almost certainly be made definitive within the next six months, when the guarantees must be paid and further fines will be charged in cash at EC borders.

## Party unveils reform proposals

By Quentin Peel in Moscow

FIRST CLEAR details of sweeping plans to overhaul the Soviet Union's ruling Communist Party were published last night, proposing a 10-year limit on officials holding the same job and restoration of the democratic powers of elected bodies.

## Moscow hopeful of summit arms control progress

BY QUENTIN PEEL IN MOSCOW

A KEY ARMS control adviser to Mr Mikhail Gorbachev, the Soviet leader, yesterday expressed optimism for progress on a range of arms control issues at next week's Moscow summit between Mr Gorbachev and President Ronald Reagan.

He was particularly critical of the fact that the Commission had taken no action against printers made in Hong Kong, the source of machines sold by Amstrad, the fast-expanding UK group.

The proposals appear to go a long way towards the sort of democratisation advocated by Mr Mikhail Gorbachev, the Soviet leader and party general secretary.

He said progress had been made in the arms talks since the Washington summit, both on setting sub-limits for each category of land-based and sea-based nuclear missiles and on the number of missile launching pads and warheads.

## Rowntree rebuffs Suchard

BY DAVID WALLER IN LONDON

JACOBS SUCHARD, the Swiss coffee and confectionery group, yesterday challenged Nestle for control of Rowntree by launching a hostile cash counter-bid.

Mr Klaus Jacobs, chairman of Suchard, said in London that with sales of an estimated £2.3bn, the combination of Suchard and Rowntree would eclipse Mars, the private US company, as the UK's largest confectionery group.

## Reed pulls out of paper sector

BY MAGGIE URRY IN LONDON

REED INTERNATIONAL, the UK publishing, paper and packaging group, is selling its paper and packaging interests in Europe and North America, representing about 40 per cent of the company's sales and profits.

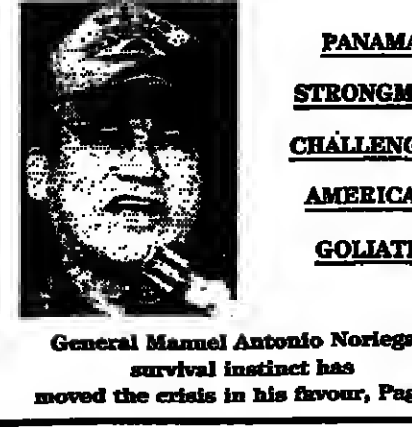
## UK PAPER AND BOARD MAKERS

Company	UK annual capacity ('000 tonnes)
David S Smith	500
Reed	405
Devidsons (BPB Inds)	385†
UK Paper	300
Cons Bathurst	280
Wiggins Teape (BAT Inds)	230
Utd Paper Mills	200†

Other bids had been made for the businesses, but Mr Davis said Reed had wanted to sell the manufacturing group as one company and the best offer came from the management team.

Other bids had been made for the businesses, but Mr Davis said Reed had wanted to sell the manufacturing group as one company and the best offer came from the management team.

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General Manuel Antonio Noriega's survival instinct has moved the crisis in his favour, Page 5

FT Law Reports: Tax is chargeable on devalued trust investment property 9



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EUROPEAN NEWS

Brussels may face legal action over BSC aid

BY WILLIAM DAWKINS IN BRUSSELS
THE RISK of a legal clash between the West German steel industry and the European Commission loomed yesterday when Brussels rejected a complaint from the country's main producers' association against state aid for the British Steel Corporation.

The Brussels authorities' reply will do little to help the deadlock between member states over Commission plans to end the system of steel output quotas, due to be discussed at a meeting of the Community's industry ministers today. West Germany refuses to agree to the ending of quotas while its competitors benefit from allegedly illicit national aid - and its stance as the EC's largest steelmaker is crucial to other member states' attitudes.

Industrialist attacks Italian N-policy

BY JOHN WYLES IN ROME
MR SERGIO PININFARINA, one of the most celebrated names in Italian design, yesterday made his debut as the main spokesman for the nation's industry with a sharp criticism of certain aspects of the new Government's programme.

US fighters to transfer from Spain to Italy

BY DAVID WHITE, DEFENCE CORRESPONDENT
US TACTICAL fighters due to be withdrawn from Spain will be transferred to Italy, and Nato will shoulder the cost, defence ministers agreed yesterday in Brussels. The agreement in principle was announced by Mr Rupert Scholz, the new West German Defence Minister, who was making his first appearance at a Nato meeting.

Agreement between Washington and Madrid on removing the fighter presence, which has provoked a long series of anti-US demonstrations, was reached in January after 18 months of tense negotiations. The US argued that the aircraft were of critical importance to the alliance in its defensive coverage of southeast Europe. The Spanish Government, however, insisted that the fighters should go as evidence that it was honouring the promises made in its 1986 referendum confirming Nato membership.



President Mitterrand meeting with Mulrooney

West urged to take lead on arms proposals

BY DAVID WHITE, DEFENCE CORRESPONDENT
WESTERN governments must take the initiative in proposing further arms cuts, the International Institute for Strategic Studies says in a report published today. It also calls on Nato to make a thorough review of the role of nuclear forces, but warns that without a broad new consensus on the alliance's aims it may be hard to obtain public acceptance for the strong policy recommendations which may be required.

Mr Francois Heisbourg, the Institute's director, said in presenting the survey's recommendations. The review of options had to take into account the West German case for taking an overall view of the mix of shorter and longer range weapons rather than backing the issue of modernising battlefield nuclear weapons in isolation. The survey warns of the political impact of modernising short-range weapons, which "smack more of war-fighting than deterrence."

Canada and France end fishing row

BY GEORGE GRAHAM IN PARIS
FRANCE and Canada have settled their differences and are to resume negotiations over the fishing zones around St Pierre and Miquelon, the French islands just off the Canadian coast.

Greece-Turkey talks avoid divisive issues

BY ANDRÉAS IERODAKIMOS IN ATHENS
THREE DAYS of political talks in Athens led by the foreign ministers of Greece and Turkey appeared set yesterday to end without touching upon the key disputes in the Aegean and Cyprus.

West Germany's far right gains recruits

BY DAVID GOODHART IN BONN
THE WEST GERMAN counter-intelligence agency, the Bundesamt fuer Verfassungsschutz (BFV), has reported a sharp increase in the membership of extreme right-wing organisations and a slight drop in membership on the left.

Membership of extreme left bodies is down from 63,000 to 62,000, and there has also been a reduction in the incidence of left-wing terrorism and violence (although an increase in the cost of damage), the first such decline for some years. The Red Army Faction has not been active for more than a year, but it is still thought to exist with a hard core of about 15 and about 200 supporters.

The long-running dispute over fishing quotas in the Gulf of St Lawrence for the St Pierre and Miquelon islands in the north Atlantic was resolved in April in the run-up to the French presidential election, after Canada had arrested a group of St Pierre fishermen deliberately fishing in Canadian territorial waters.

France pledges co-operation to fight Eta

BY TOM BURNS IN MADRID
THE FRENCH Interior, Mr Pierre Joxe, yesterday promised to maintain the co-operation with Spain on cross-border terrorist control which has proved a key element in Madrid's efforts to reduce Eta, the Basque separatist organisation.

The separatists have also been holding Madrid property dealer Mr Emiliano Revilla hostage for more than three months and earlier this month French and Spanish police co-operation foiled an attempt by Mr Revilla's family to deliver some 23.5m worth of ransom money to the organisation. Mr Barrionuevo has faced criticism over a bungled attempt by police to free Mr Revilla.

Mr Brian Mulrooney, the Canadian prime minister, said yesterday that the two countries' negotiators were now expected to meet around June 7 and that he hoped that the talks would "result in a fair settlement."

Italian parties scramble for votes in local elections

BY JOHN WYLES IN ROME
FOR THE past month or so, Italy has been a scene of a true land of promises, as dozens of rival parties and groups have scrambled for support in local elections this weekend involving more than 7m voters.

Which no party can win representation in the national parliament. The Christian Democrats will be anxious to hold on to their vote after years of steady decline in national and local elections, despite a small recovery in last year's general elections.

The last time these councils and communes voted five years ago, the Christian Democrats polled 35.6 per cent, the Communists 25.3 per cent, the Socialists 15.3 per cent, the Republicans 5.4 per cent, the Social Democrats 6.3 per cent, the MSI 5 per cent and the Liberals 1.9 per cent.

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AGENDA
1. Special report of the Board of Directors on the following items on the agenda.
I. Increase of the share capital from 12,000,000 BF to 20,000,000 BF without issue of new shares, by incorporation of the amounts booked under the headings "Reserve Premiums", "Residual surplus", "Tax-exempt reserves" and "Available reserves".

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EUROPEAN NEWS

Religious stakes draw heavy Irish betting

By Kieran Cooke in Dublin
EVER SEEN a flying nun? Or a racing rabbit? Or perhaps a galloping moonsignor? They'll all be there this weekend at the Interdenominational Clergy Race...

Hazel Duffy analyses the decision on the criteria required for regions of western Europe to qualify for basic economic aid EC raises hopes of providing more funds for its poorer members

MINISTERS OF THE European Community are hopeful of an early agreement, perhaps in the next few weeks, on the main framework for enlarged funds aimed at narrowing the gap between the richer and poorer regions of the community.

The funds represent the largest promised spending power on a Community basis after that paid out to support the Common Agricultural Policy

Some 80 per cent of the three funds - the Regional Fund, Social Fund, and Agricultural Fund - which will be doubled by 1993, will go to the less developed regions. These have been defined as those which have 75 per cent or less of the Community's average Gross Domestic Product per head.

It also wants the overall territorial coverage of the Regional Fund reduced. At present, 41 per cent of the Community lives in areas qualifying for the Fund.

Romania plan angers Hungary

BY LESLIE COLTIT
HUNGARY'S media are maintaining a barrage of attacks on Romania, highlighting one of the bitterest bilateral disputes ever to be conducted in public by two Warsaw Pact members.

Transylvania, where most of Romania's 1.7m ethnic Hungarians and 600,000 ethnic Germans live. "Everything is to be liquidated, including churches and cemeteries," the Hungarian news agency, MTI said.

OECD underlines limits of monetary policy

REPORT POINTS TO RISKS OF TRYING TO 'FINE TUNE' ECONOMIC ACTIVITY
BY SIMON HOLBERTON
MONETARY POLICY should be aimed at sustaining the integrity of the financial system and of preventing excessive volatility in financial markets, a study by the Organisation of Economic Co-operation and Development concludes.

and the level of output, employment and prices. It highlights, however, the importance of the financial markets' expectations of policy to short-run changes in interest rates and exchange rates. Monetary authorities should act in a way which does not create uncertainty about the general direction of policy.

Borders to open for Pope's Vienna visit

BY JUDY DEMPSEY IN VIENNA
THE BORDERS between Austria and Hungary will be opened completely during the Pope's visit to Vienna. Mr Alois Mock, the Austrian Foreign Minister and Vice-Chancellor said yesterday in Budapest, at the start of an official visit.

He said the goal was to level living standards in towns and villages, but Hungary believes the purpose is to resettle ethnic Hungarians in Romanian cities.

France tackles cash needs of state companies

BY GEORGE GRAHAM IN PARIS
FRANCE'S new Socialist Government is considering allowing state-owned companies to issue more non-voting securities in order to raise fresh capital.



But there are plenty of other hopefuls. A late entry is 74-year-old Dr David Sigiloff, who is representing the London Jewish community. Dr David Tomkita is taking part on behalf of Dublin's Adelaide synagogue. Substantial sums are rumoured to be placed on his horse Waffling Wall.

FINANCIAL TIMES
Published by the Financial Times (Europe) Ltd, Frankfurt Branch, represented by E. Hoeg, Frankfurt/Main.

STET logo and text: Registered Office in Turin - Head Office in Rome. NOTICE CONVENING THE ORDINARY GENERAL MEETING. The Shareholders of STET - Societa' Finanziaria Telefonica p.a. are hereby notified that the Ordinary General Meeting will be held in the Conference Room of the Company's headquarters...

IS THIS A PRIVATE FIGHT OR CAN ANYONE JOIN IN? Against the background of the no-man's-land that makes up much of our cities today, the curious form of sectarianism known as the 'public and private sectors' seems somehow faintly absurd. The split of a 'them' and 'us' is the last thing anyone needs. The truth is, of course, that people from the public and private sectors are now working together in ways which were unthinkable a generation ago. The main concept that has made this possible is partnership. And the team that has made partnership work is Lovell. For Lovell was the first to pioneer, adapt and perfect the process of putting public and private resources together to provide new homes and a better quality of life.



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In fact, it could lead to lots of new openings.

**We won't make a drama out of a crisis.**



AMERICAN NEWS

Speculation of fighter monetary policy by Fed

BY JANET BUSH IN NEW YORK

SPECULATION is mounting that the US Federal Reserve has decided to tighten monetary policy in an attempt to head off higher inflation. Fed policy was the major talking point in the US Treasury bond market yesterday, a day which saw the release of contradictory figures on growth and inflation in the first three months of this year.

Noriega revels in the role of David to the US Goliath

BY DAVID GARDNER IN MEXICO CITY

"NORIEGA is like a baseball team that has been mathematically eliminated but has to play out the rest of the season" was the sort of comment which tripped from the lips of US officials dealing with Panama until recently, as they sought to explain why the military leader seemed to have acquired an option for innumerable extra innings.

more than bit parts in the drama, has been reduced to the role of spectator. The Panama Defence Forces, galvanised by fears that it would be politically neutered if Gen Noriega were driven out on US terms, has so far backed his attempts to restructure his command and rebuild its cohesion.

Surging exports lift US growth to 3.9%

BY NANCY DUNNE IN WASHINGTON

THE US economy, boosted by surging exports and consumption, expanded by a robust annual rate of 3.9 per cent in the first quarter of the year, the US Commerce Department said yesterday.

Fed's 'dilemma' over cheques

THE PAPER CHEQUE is an expensive form of payment that is overused in today's society and steps should be taken to encourage greater use of cheaper electronic payment methods, Mr Manuel Johnson, Federal Reserve Board Vice Chairman, said yesterday.

Colombia puts troops on alert

COLOMBIAN armed forces were put on a state of alert yesterday to face possible emergencies caused by peasant protest marches in the north of the country, according to Defence Minister General Rafael Samudio, Reuters reports from Bogotá.

Fresh blow for Bush as aide quits

By Lionel Barber in Washington

FURTHER evidence that Vice President George Bush's presidential campaign is in trouble emerged yesterday when his chief spokesman, Mr Peter Teesley, said he is resigning.

Optimism on troubled US thrifts

MR DANNY WALL, chairman of the Federal Home Loan Bank Board, told the Senate Banking Committee yesterday that the troubled Federal Savings & Loan Insurance Corporation had adequate resources to cover problems.

Mr Wall told the committee the FSILC would have about \$30bn to help problem institutions in the next 10 years. He estimated that \$22.7bn would be necessary to resolve the problems of the 259 troubled thrifts in FSILC's case-load, plus another \$58 thrifts that are insolvent under Generally Accepted Accounting Principles (GAAP) but not insolvent under more liberal regulatory accounting principles.

GLOBAL INTEGRATION OF JAPANESE MANAGEMENT

Yamaichi: Tapping into its Global Reach



In line with the heady expansion of Japan's capital markets over the past five years, Yamaichi Securities has emerged as a world leader in securities dealing, fund management and new issues activity.

Hitoshi Tanaka, Managing Director in charge of Europe and Middle East. Haruo Sato, Managing Director & Chief Executive, Yamaichi International (Europe) Limited.

The confidence of many international investors was shaken after the sharp correction of major equity markets in the latter part of 1987, yet the surge in Tokyo to record levels during 1988 attests to the underlying strength of economic fundamentals in Japan, as well as to the growing importance of Japanese investors to world capital markets.



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OVERSEAS NEWS

Gadaffi launches peace initiative for OAU summit

BY VICTOR MALLET IN ADDIS ABABA THE LIBYAN leader, Colonel Muammar Gaddafi, has launched a surprise initiative aimed at reconciliation with Chad and other African countries.

Philippines reports 7.6% first-quarter GNP growth

BY RICHARD GOURLAY IN MANILA GROSS national product in the Philippines grew by 7.6 per cent in the first quarter of 1988 compared with 5.5 per cent in the same period last year.

Third of Afghan farmland 'destroyed'

By Christina Lamb in Peshawar

THE TRUE extent of the destruction of agriculture in Afghanistan, the basis of the economy, is slowly emerging as the Soviet army withdraws from the country.

US warning to Singapore

By Roger Matthews in Singapore

THE US warned yesterday that the constant repetition by Singapore of baseless charges against it and its diplomats could only damage relations.

Muzzled press becomes Israeli cause celebre

Andrew Whitley reports on the forced closure of a Hebrew-language newspaper



A press photographer is attacked by an Israeli soldier in the West Bank. Restrictions were later imposed on coverage

IN DEATH, Derech Hanitzotz has achieved far wider fame than it ever did in life. The bi-weekly Hebrew-language newspaper (claimed circulation 1,500) and its sister publication in Arabic (an occasional print run of 3,500) never changed hands much beyond the circles of the 1960s-style Trotskyists responsible for their appearance on the streets.

Boost for Sino-Soviet relations

By Quentin Peel in Moscow

THE WITHDRAWAL of 50,000 Vietnamese troops from Kampuchea could clear the way for the normalisation of relations between the Soviet Union and China, with a new round of talks to be held next month, officials said in Moscow yesterday.

Pretoria moves on interest rates

By Jim Jones in Johannesburg

SOUTH African bankers have been thrown into confusion by the government's decision to intervene to prevent sharp increases in interest rates.

ANC holds more secret talks

By Mr Stoffel van der Merwe, South Africa's Information Minister, yesterday re-stated Pretoria's determination that 17 restricted organisations affiliated to the United Democratic Front will not be allowed to participate in local elections scheduled for October.

Mahathir assails coalition foes

By Wong Sulong in Kuala Lumpur

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, is moving towards a final break with his opponents and dissenters within the ruling United Malays National Organisation (UMNO), apparently in full control after widespread detentions of Government critics last October.

Joint peace force pact for Beirut

By Nora Boustany in Beirut

SYRIA and Iran have at last agreed on the intervention by a joint Lebanese-Syrian demarcation and observation force to halt 20 days of bitter and bloody conflict between the rival Muslim Shiite factions, Amal and Hizbollah, in the southern suburbs of Beirut.

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Extracts from the review by the Chairman Mr EP Gush Financial results and comments This has been a reasonably successful year for your company and profit available for distribution increased by 15 per cent to R49.6 million.

Some opponents of apartheid, including Mr Malan, say the opposition should take advantage of Mr Botha's limited extension of voting rights to try to take over local and central government, a strategy rejected by the ANC.

Mr Stoffel van der Merwe, South Africa's Information Minister, yesterday re-stated Pretoria's determination that 17 restricted organisations affiliated to the United Democratic Front will not be allowed to participate in local elections scheduled for October.

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, is moving towards a final break with his opponents and dissenters within the ruling United Malays National Organisation (UMNO), apparently in full control after widespread detentions of Government critics last October.

Japanese industrial output down in April By Stefan Wagstyl in Tokyo STEEL and chemicals companies shutting down plant for repairs and maintenance were blamed for a fall of 0.9 per cent in industrial output in Japan in April.

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# Yeutter presses for Uruguay talks mandate

BY NANCY DUNNE IN WASHINGTON

MR CLAYTON Yeutter, the US Trade Representative, will seek authorisation from Congress to negotiate in the Uruguay round of international trade talks, even if Congress fails to pass a second trade bill containing that authority.

Mr Yeutter said the authorisation was vital to the success of the round, under the General Agreement on Tariffs and Trade. He would also seek authorisation for US adoption of the new internationally-approved harmonised tariff system.

He tacitly acknowledged the difficulty of getting a second trade bill through Congress this year, just a day after President Ronald Reagan vetoed the first one, which had contained the mandate for the Gatt talks.

Mr Yeutter said a failure by Congress to grant negotiating authority this year might mean a delay in completing the trade talks.

"At some point, our negotiating partners will become frustrated. With the lack of authorisation, they will pull back. I don't see the round collapsing. It will simply slow down," he said.

Mr Yeutter's plea is not likely to meet with success. There is bitterness in Congress over the President's veto of the bill, which took three years to produce. Senator Robert Byrd, the majority leader, and Senator Lloyd Bentsen, the trade bill's chief sponsor in the Senate, are saying they do not believe the President ever wanted a trade bill.

Senator Bentsen is still hoping to overturn the veto in a vote not likely to happen until after the Moscow Summit. He has, however, acknowledged that he needs three more votes "and I don't know where they are going to come from."

In another action, Mr Yeutter, acting on a complaint filed by Florida citrus growers, has ordered an investigation of Japan's import restrictions on orange juice.

Mr Yeutter has warned of possible US trade retaliation if the limits are not eased soon.

# US modifies its stance on farm subsidies

BY DAVID SUCHAN IN ATHENS

THE US yesterday modified its stance in trade negotiations under the General Agreement on Tariffs and Trade that all farm subsidies be phased out over 10 years, while retaining its goal for long-term reform of world agriculture.

Addressing a congress of European grain traders in Athens, Mr Richard Lyng, US Agriculture Secretary, said the US would like to hear some long-term alternatives to the US plan from its negotiating opponents, chiefly the European Community, in the Uruguay round of the Gatt talks.

He invited the EC to propose a longer phase-out period than the 10 years called for by the US and over which subsidies would be required to be reduced by less than 100 per cent.

Mr Lyng has already hinted that the Administration's position was not engraved in stone

and that the US was prepared to be flexible.

The real problem was getting the EC to agree on a long-term goal on agriculture trade.

There was no immediate response to the apparent US olive branch from Mr Frans Andriessen, EC agriculture minister, who addressed the congress after Mr Lyng.

The EC official stressed the community's long-term commitment to its internal agricultural reforms, but stressed that the EC was still more interested in short-term solutions on agricultural trade whose "benefits would come sooner rather than later".

A spokesman for the US Trade Representative said the EC's short-term proposals to reduce production did not address the central issues. "We have never been told the European negotiating position and we need to know it."

# Gatt fosters freedom in services trade

THE SHAPE of an international agreement to liberalise trade in services is starting to emerge from the Uruguay Round of the General Agreement on Tariffs and Trade. Or so western participants readily assume a still rather sceptical outside world.

They are pinning their hopes on a paper presented to Gatt service negotiators last week by the US, which has drawn negotiators from the industrial world closer together, though it still begs the question of how to draw developing countries into the liberalisation process.

In its paper the US laid out a three-step approach to the liberalisation process, which, in contrast to its previous broad-brush approach, went a considerable way towards reconciliation with the gradualism advocated by the European Community (EC) and other industrial countries.

Under the new US proposal, negotiators would seek first to agree on a general set of rules for liberalising service industries.

Following the US presentation, one European delegate declared that, by taking building blocks from US, EC, Canadian and Japanese proposals, it had become possible to develop a consensus.

This consensus, however, is still confined to the rich countries of the Organisation for Economic Co-operation and Development (OECD). Only lip service has been paid so far to the interests of the developing countries.

The US and its allies want Third World nations to state new trade services industries they would agree to include in a multilateral agreement. Developing countries want to know the contents of the agreement before they define sectors.

To make it easier for governments not willing to compromise their positions openly at this stage, the US last week suggested that they notify anonymously the Gatt secretariat of those sectors they would like to see covered by the liberalisation process.

A list could then be compiled of service sectors which most governments were prepared to see opened up to international competition.

Development is one of several fundamental unsettled issues that were not dealt with at last week's negotiating session. The others include a crucial issue of definition: should liberalisation be limited to cross-border sales or should it also include transactions that involve moving factors of production, labour or capital, across borders?

The issue of labour movement, in particular, offers a crucial trade-off possibility for developing countries in the negotiations.

For example, the right of Mexican workers to sweep Texas streets or of Korean construction

workers to find employment in US or Japanese sites could form an essential quid pro quo if these countries are to open up their home markets to foreign purveyors of financial services.

Last week's meeting thus gave only small justification for Western optimism that progress can be achieved.

Nevertheless, negotiators for the industrialised nations argue that much ground-clearing has been done. Even governments originally hostile to embarking on the project, such as India and Brazil, have become enmeshed in the discussions.

**William Dullforce reports on hesitant and deliberate negotiations aimed at bridging the gap between rich and poor nations in an economic liberalisation process**

Some are optimistic that they will have a description or outline of an agreement ready for the crucial mid-term review of the Uruguay Round in December. This, they believe, would allow trade ministers to commit their governments to negotiating an accord on services by 1990.

Last week's meeting also discussed papers from the International Telecommunications Union (ITU), the International Civil Aviation Organisation (ICAO) and one on shipping from the United Nations Conference on Trade and Development, detailing existing international arrangements in these three key services areas.

The ITU and ICAO papers left several Gatt negotiators with the impression that these organisations are so entrenched as to be impervious to liberalisation moves.

In telecommunications, a conflict of interests may have been signalled. The ITU's conference to be held at Melbourne at the end of this year aims at adopting a new regulatory framework for all new international telecom services. High-tech services using telecom networks - the so-called enhanced services - are a key target for liberalisation under Gatt.

At some time between now and the mid-term review in December, this activity must fall into an agreed text for declaration by trade ministers. At the very least that should spell out the balance of interests between the Third World and the industrial countries which negotiators will be expected to achieve in a final agreement.

# US presses S Korea to open its markets

By Lionel Barber in Washington

THE Reagan Administration yesterday stepped up pressure on the Seoul government to open its markets and cut its current account surplus.

Mr Charles Dallara, a senior US Treasury official, urged South Korea to liberalise its trade policies, let its exchange rate appreciate against the dollar, and scrap curbs on direct foreign investment.

Mr Dallara's comments to the US-Korea Society in New York amounted to a blueprint for change covering the equity market, agricultural products, banking, footwear and steel.

He singled out the Seoul's policy of letting the won depreciate, to boost exports. "Korean producers do not need extra advantages to remain competitive in the world economy," he declared.

South Korea's savings rates had created current account surpluses of \$4.6bn in 1986 and \$3.8bn in 1987. "This suggests the need for Korea to review its policies."

Mr Dallara noted that the trade imbalance between the US and South Korea had grown rapidly, and warned Koreans against holding to a traditional policy.

# Epson hits out in EC anti-dumping row

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

JAPANESE companies are not usually given to strong public protests about moves such as yesterday's provisional anti-dumping action on computer printers.

But Epson, the world market leader in this sector, is a smallish private company with, it explains, somewhat more freedom than most to comment. Yesterday, it was leaving no room for doubt about its anger over the European Commission's decision.

The dumping action made no sense, said Mr Don Pinchbeck, Epson's UK managing director. It was hitting the Japanese even though their prices were higher than those of other South East Asian manufacturers.

It was supposed to be helping European manufacturers which were invisible in the market place, and it would make printers in Europe much more expensive

than elsewhere in the world. Because of the threat of the anti-dumping duties, Japanese printers were already costing substantially more in Europe than, for example, the US - one of Epson's models was selling at a discounted price of £200 in the UK and just \$200 (£110) across the Atlantic.

"What is the poor European consumer going to do? We have imposed these highly profitable prices which we don't want to charge because of the anti-dumping case; and now customers are going to have to pay even more."

Epson's reaction underscores the frustration of Japanese companies over the reaction of their trading partners in an industrial sector which they virtually invented at the end of the 1980s.

At that time, the printing business was mainly concentrated on large machines, but the develop-

ment of the personal computer market created the opportunity for smaller personal units that would copy directly from a screen.

The Japanese, led by Epson, moved into this business, selling on a world scale, and quickly establishing a dominant position. No less than 14 manufacturers have moved into Europe.

The Europeans - and the Americans - were so slow off the mark in this area that their market share today is negligible.

According to the European Commission, the Japanese producers now have 73 per cent of the European printing market, and in the dot matrix printer area where the Japanese specialise, the percentage is probably more.

It has been clear to the Japanese for some time that this success was not regarded kindly in

the EC. Well before yesterday's decision in Brussels, Japanese companies had begun to switch a large amount of their production into Europe.

Epson started with a plant in France in 1983, but since the anti-dumping moves began in 1986, the investment drive has become a flood.

"These moves have resulted in a massive restructuring of the European industry," says Mr Al Springsteel, an analyst at Dataquest. "Up to a year ago there were 15 dot matrix printer manufacturing plants in Europe. In the last 12 months, the Japanese have put up another 10."

Mr Springsteel calculates that the UK will eventually emerge as the main beneficiary, in terms of factories and jobs, of this flow of investment.

Epson, which is estimated to have about 30 per cent of the

# Boeing wins second 757 airliner order in two days

BY RODERICK ORAM IN NEW YORK

BOEING yesterday won its second large order in two days for 757 airliners, virtually guaranteeing both the success of the model and the demise of its 737 project which it had been pursuing with Japanese manufacturers.

United Airlines, the Chicago-based carrier owned by Allegra, said it would buy 30 757s with options for 30 more. They will be powered by PW2000 engines made by the Pratt and Whitney subsidiary of United Technologies of the US. The total value of

60 aircraft, engines and spares was more than \$2bn, United said.

American Airlines had ordered 50 aircraft with options for 50 more on Wednesday, all powered by Rolls-Royce engines.

American had praised the British engines as the most reliable and efficient for the aircraft.

United said it had chosen Pratt and Whitney engines, however, for a variety of reasons, including commonality of parts since most of its 387-aircraft fleet already use the same manufacturers' engines.

Rolls Royce said it had competed for the order but had no immediate comment on the outcome.

United will finance the Boeing purchase in part by the sale of its McDonnell-Douglas DC 8-71 airliners which it has refurbished and equipped with new engines in recent years. It has an agreement in principle to sell 29 of the aircraft and 14 spare CPM56-2 engines to GPA Group, the aircraft lessor based in Shannon, Ireland.

Mr Stephen Wolf, chairman of United, said the airline could use more 757s but was unable to buy them until its reduced its cost structure. United, which is the subject of a takeover offer from its pilots' union, is locked in a battle with some groups of its employees to cut costs.

Boeing halted work on its 737 project last summer because American Airlines had been the only carrier to show interest in the proposed advanced technology 165-seat aircraft.

Mr Dean Thornton, president of Boeing's commercial aircraft division, said on Wednesday that the company has started a "total rethink" on the project. It has dropped the 737-700 and refers to it instead as a "new medium-sized jet transport."

A Japanese consortium with a 25 per cent interest in the project will continue to be involved. They include the heavy industry subsidiaries of Kawasaki, Mitsubishi and Fuji.



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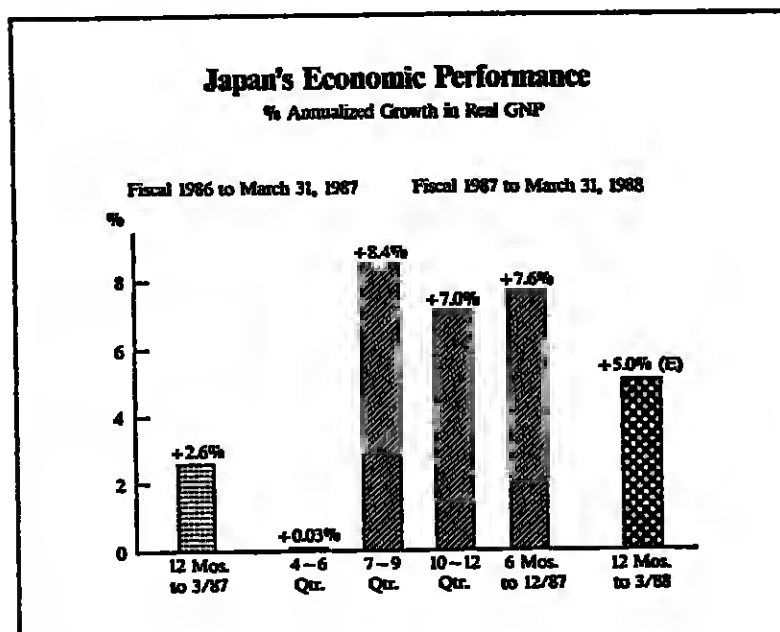
# Nikko's Perspective On Global Investment Strategies

## High-Growth Prospects of the Japanese Economy

By almost any measure, the Japanese economy is now in a period of sustained growth. Look at the indicators. Rising incomes, low inflation, reduction in income taxes. All of these are behind the strong growth in consumer spending in Japan. There's more. A further factor is stimulative fiscal policy. A construction boom is on as well, with housing starts at record high levels. And recoveries in corporate profitability and domestic demand are fueling gains in Japanese corporate investment spending. All these uptrends are clearly outdistancing the declines in net exports.

**Important changes are taking place.** What this really means is that major structural changes are taking place in the Japanese economy. The key is a marked shift from export-led growth to economic expansion based on domestic demand. Stimulative fiscal policy, tax reform, and low interest rates should also continue. Declines in exports may mean that trade frictions will ease. And, other factors, such as Japan's high savings rate and its status as the leading creditor nation, mean that the financial underpinnings are sound.

**An optimistic forecast.** Looking at the whole picture, our view is that Japan will likely record very high growth over the long term, well ahead of recent years. But more importantly, if you conclude that Japan's economic growth profile is attractive, how can you participate as well?



## Uptrends in Japan's Capital Markets

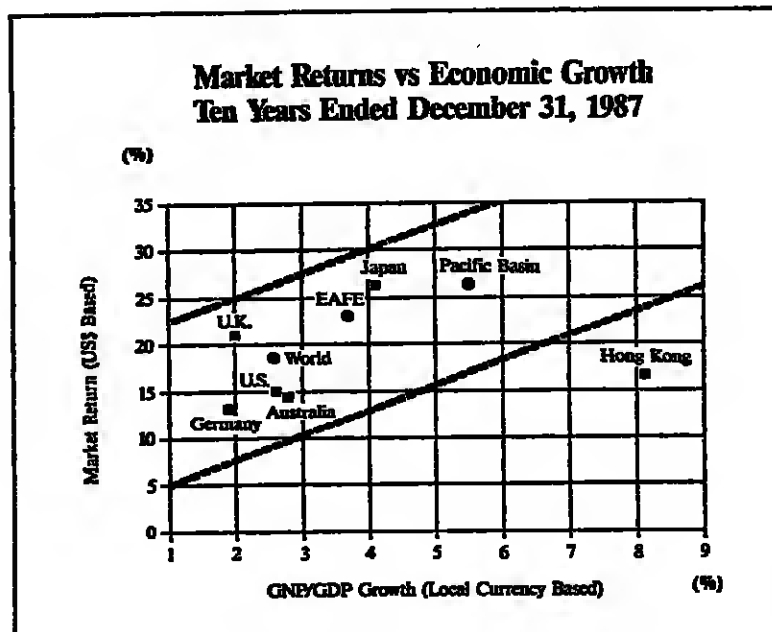
The uptrend in the Japanese economy is welcome news for investors. For many reasons. Economic growth will continue to improve corporate profitability in Japan. In fact, all key indicators seem to suggest that Japan's capital markets will be positively affected.

**A word about P/Es.** What about the fact that many say P/E (price earnings) ratios on the Tokyo Stock Exchange (TSE) are too high, and poised for a fall? Let's set the record straight. In fact, several factors explain seemingly high P/E ratios in Japan. One issue is the differences in accounting standards: non consolidation of earnings and declining balance depreciation methods used in Japan tend to under-report actual earnings. Another clear factor is the very low interest rate level in Japan.

Analysis shows that P/E ratios tend to be closely correlated to interest rates. And with Japanese interest rates substantially lower than U.S. rates, for example, it's clear that Japanese P/E ratios would naturally trend higher.

**Growth is what it's all about.** But the critical point to appreciate is the significant growth potential offered by Japan. Over the last decade, Japan has shown a higher rate of GNP growth compared to any other industrialized country. And, as we've seen, the outlook is similarly bright.

To sum up, a strong case can be made that after adjustment Japanese stocks may in fact be undervalued compared to the U.S. market. And if the prospect is for further strides forward in Japan's capital markets, what are the implications for global investment strategies?



## State-of-the-Art in Active & Passive Investment Strategies

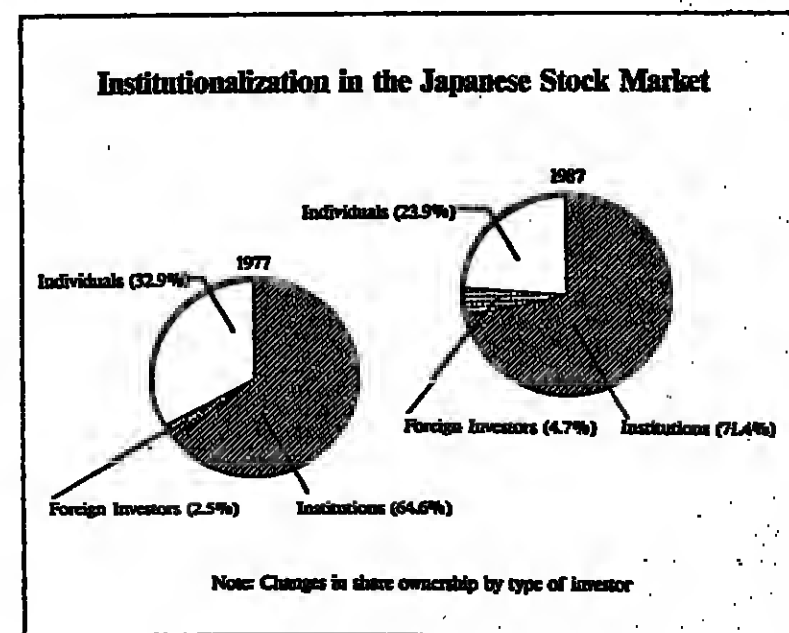
**Keying in on market trends.** A quantitatively based approach to both active and passive fund management strategies makes sense for several reasons. In Japan, for example, the process of institutionalization of capital markets is proceeding at a good pace. The compelling implication is that Japan's capital markets will, as a result, continue to become more efficient.

Other points to emphasize are the twin processes of globalization and deregulation. In a global capital market, the number of factors that investment professionals must tackle continues to rise at a breathtaking pace. In addition, a new wave of financial products designed for risk management, such as Japan's new TOPIX futures and options markets, offers considerable promise.

**Striving for excellence.** Taken together, these factors suggest a simple but powerful idea. Quantitatively based approaches, built on modern portfolio theory and implemented on advanced information processing systems, offer significant advantages to ever more sophisticated international investors. In Tokyo and elsewhere around the world, investment technology is being successfully applied to both active and passive portfolio management strategies.

**A widening range of quantitatively based strategies.** For example, index funds have been designed to closely track the performance of key indexes. It's also possible to tilt index funds toward statistically significant factors to produce additional returns. New innovations in portfolio insurance target downside protection and upside participation. Most recently, bond indexes are coming into their own in Japan.

Resumption of Japan's economic growth. A healthy capital market. And state-of-the-art approaches to active and passive portfolio management. Excellent reasons to put Japan on your buy list. And an even better reason to make sure your investment banker is well positioned to nail down your advantage.



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# Tax is chargeable on devalued trust investment property

**INLAND REVENUE COMMISSIONERS v MACPHERSON AND ANOTHER**  
 House of Lords  
 Lord Keith of Kinnaird,  
 Lord Templeman, Lord Griffiths,  
 Lord Oliver of Aylmerston,  
 and Lord Jauncey of Tufton  
 May 19 1988

**DEVALUATION OF trust property** resulting from an agreement between trustees and a person connected with a potential beneficiary, is chargeable to capital transfer tax if the agreement intentionally preceded an appointment in the beneficiary's favour and so formed part of a scheme to confer a gratuitous benefit on him.

The House of Lords so held when dismissing an appeal by trustees from a Court of Appeal decision that capital transfer tax was payable on a capital distribution arising from an agreed devaluation of trust property.

**LORD JAUNCEY** said that on June 5 1981 investments were settled on Mr and Mrs Roberts, their children and remoter issue.

By the end of the 1980s a number of valuable pictures had come to be included in the settled property. They were kept in houses owned by Mr and Mrs Roberts.

On July 30 1970 Mr Roberts undertook custody, care and insurance of the pictures, and agreed to pay £100 annually for such enjoyment as he might derive from them.

In 1975 the High Court approved an arrangement whereby the trusts whereby Mr Roberts was permanently excluded from beneficial interest.

After the introduction of capital transfer tax by the Finance Act 1975, the trustees took two steps which gave rise to the present appeal.

First, on March 29 1977, they entered into an agreement with Mr Roberts to vary the 1970 agreement. His liability for insurance and loss of the pictures was limited, and the annual £100 payment was reduced to £50.

Second, on March 30 1977, they executed a deed appointing all the pictures, subject to and with the benefit of the 1970 agreement as varied in 1977, on trusts under which Mr Roberts's son, Timothy, took a protected life interest in possession.

The effect of the 1977 agreement was to reduce the value of that part of the settled property comprising the pictures. It was a perfectly proper transaction, for the trustees to make.

The Crown claimed that capital transfer tax was payable by the trustees in respect of the diminution in value of the settled property.

The 1975 Act provided for capital transfer tax to be charged on transfers of value. Section 20(2) provided that a transfer of value was "any disposition" as a result of which the value of the transferor's estate was less.

It was reduction in value of his estate, rather than any benefit to the transferees, which gave rise to the charge.

To remove business transactions from liability, section 20(4) provided that "a disposition is not a transfer of value if . . . it was not intended, and was not made in a transaction intended, to confer gratuitous benefit on any person and either - (a) that it was made in a transaction at arm's length between persons not connected with each other, or (b) that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other; . . . in this subsection "transfers" includes a series of transactions and any associated operations."

Paragraph 6(4) of Schedule 5 to the Act charged tax on a capital distribution as on the value transferred by a chargeable transfer.

Paragraph 6(3) provided that when no interest in possession subsisted in settlement property, where a transaction was made between the trustees and someone connected with a person beneficially entitled to an interest, or a person for whose benefit any of the settled property might be applied, and as a result of the transaction the value of the property was less, "a capital distribution shall be treated as being made out of the property . . . unless the transaction is such that, were the trustees beneficially entitled to the settled property, it would not be a transfer of value."

The Crown contended that the 1977 agreement between the trustees and Mr Roberts, being a person connected with Timothy for whose benefit the property might be applied, it was a transaction within paragraph 6(3). It therefore gave rise to tax under paragraph 6(4).

The trustees contended that no charge to tax arose, since the transaction was such that were they beneficially entitled to the settled property, it would not be a transfer of value.

It was common ground that at the time of the 1977 agreement no interest in possession subsisted in the settled property and Mr Roberts was connected with Timothy, a potential beneficiary.

The agreement had the effect of devaluing the settled property. No other step contributed to the devaluation, and so the agreement alone was the relevant transaction for the purposes of paragraph 6(3).

In that situation a charge to tax must arise unless the trustees could bring themselves within the concluding exception in 6(3) ("unless the transaction is such that were the trustees beneficially entitled to the settled property, it would not be a transfer of value"), which in turn involved consideration of section 20(4).

The trustees had to surmount three hurdles before they could successfully assert that the 1977 agreement, if they had entered into it as beneficial owners, was not a transfer of value.

They must show (1) that the disposition was "not intended to confer any gratuitous benefit on any person"; (2) that the disposition was not "made in a transaction intended to confer any gratuitous benefit on any person"; and (3) that it was "such as might be expected to be made in a transaction at arm's length between persons not connected with each other."

The trustees had no difficulty in surmounting the first and third hurdles, since it was conceded that the 1977 agreement was not intended to confer any gratuitous benefit on Mr Roberts or anyone else, and that it was such as might be expected to be made in a transaction at arm's length between persons not connected with each other.

The question was whether the trustees could surmount the second hurdle. They contended that in applying the paragraph 6(3) hypothesis to section 20(4), the only transaction to be looked at was the transaction referred to in 6(3). That was to say that in considering whether the disposition constituted by the 1977 agreement was "made in a transaction", it was necessary to look no further than the agreement, since it constituted both the disposition and the whole transaction. It was therefore unnecessary to consider the extended definition of "transaction" contained in the last sentence of 20(4).

There was no warrant for construing section 20(4) so narrowly

in the application of the statutory hypothesis. There was no doubt that for the purposes of paragraph 6(3) the 1977 agreement was the transaction which devalued the settled property. There was nothing in 6(3) or 20(4) to require that the event which resulted in devaluation of the settled property must be looked at in isolation from all other events.

If the extended meaning of "transaction" were read into the opening words of section 20(4), the wording became: "a disposition is not a transfer of value if it is shown that it was not intended and was not made in a transaction including a series of transactions and any associated operations intended to confer any gratuitous benefit . . ."

So read it was clear that the trustees could not bring themselves within the benefit of the paragraph 6(3) exception unless they could successfully assert that the 1977 agreement, if an associated operation was not intended to confer such a benefit it was not relevant for the purposes of the subsection. That was not to say that it must necessarily per se confer a benefit, but it must form a part of and contribute to a scheme which did confer such a benefit.

It was common ground that the appointment conferred a gratuitous benefit on Timothy. The appointment would not have been made if the 1970 agreement had not been varied by the 1977 agreement.

It followed that the 1977 agreement was not only effected with reference to the appointment, but was a contributory part of the scheme to confer a benefit on Timothy.

So viewed there could be no doubt that the 1977 agreement, being the disposition for purposes of section 20(4), was made in a transaction, consisting of the agreement and the appointment, intended to confer a gratuitous benefit on Timothy.

Once it was accepted that the statutory hypothesis did not exclude consideration of the appointment, it followed inevitably that the trustees had failed to satisfy the test in section 20(4). The appeal was dismissed.

Their Lordships agreed.  
 For the trustees: Robert Walker QC and Brian Green (Curray & Co)  
 For the Crown: John Mummery (Solicitor, Inland Revenue)

Rachel Davies  
 Barrister

# TESCO PLC

(Registered in England No. 445790)

## Notice of adjourned meeting of the holders of the £115,000,000 4 per cent. Convertible Bonds 2002 (the "Bondholders" and the "Bonds" respectively)

In accordance with the terms and conditions of the Bonds, notice is hereby given that the meeting of the Bondholders convened for 25th May 1988 by the notice dated 3rd May 1988 published in the Financial Times was adjourned through lack of a quorum and that the adjourned meeting of the Bondholders will be held at Tesco House, DeLamare Road, Chestnut, Hert's, EN8 9SL, on Thursday, 9th June, 1988 at 3 p.m., for the purpose of considering and, if thought fit, passing the following Resolution which will be proposed as an Extraordinary Resolution:

### EXTRAORDINARY RESOLUTION

THAT this meeting of the holders of those of the £115,000,000 4 per cent. Convertible Bonds 2002 of Tesco PLC now outstanding (the "Company" and the "Bonds" respectively) constituted by the Trust Deed dated 25th March, 1987 (the "Trust Deed") made between the Company and Guardian Royal Exchange Assurance plc (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby: (1) generally and unconditionally authorises and gives consent to the Company at any time and from time to time to make market purchases (within the meaning of Section 152(3) of the Companies Act 1985) on the Stock Exchange in London of Ordinary shares of 5p each in the capital of the Company for cancellation subject to and in accordance with any authority from time to time granted by resolution of its shareholders PROVIDED THAT the minimum price which may be paid for such shares is the par value of such shares from time to time and the maximum price which may be paid for such shares is an amount equal to 5 per cent. above the average of the middle market quotations therefor as derived from The Stock Exchange Daily Official List for the 10 business days before the purchase is made, in each case exclusive of expenses; (2) sanctions and approves each and every modification or abrogation of the provisions of the Trust Deed and of the rights attaching to the Bonds and each and every compromise or arrangement in respect of the rights of the Bondholders and of the holders of the Coupons appertaining to the Bonds as it or they may be involved in the implementation of any such purchases and cancellations; and (3) authorises the Trustee to concur in, execute and do any act, document or thing to give effect to such authorisation, consent, sanction and approval and each and every such modification, abrogation, compromise or arrangement.

Dated 27th May 1988  
 Registered Office: Tesco House, DeLamare Road, Chestnut, Hert's, EN8 9SL

By Order of the Board,  
 M. J. Bonall  
 Secretary

Copies of a letter dated 27th April, 1988 from the Chairman of the Company, giving details of the proposed purchase by the Company of its own shares, are available for collection, and copies of the Trust Deed constituting the Bonds are available for inspection, by Bondholders in each case during normal business hours on any weekday (excluding Saturdays and public holidays) at the offices of Phillips & Drew Securities Limited, 120 Moorgate, London EC2M 6XP and the specified offices of the Paying and Conversion Agents set out below up to and including the date of the adjourned meeting and at the adjourned meeting itself. In that letter, the Company sought its shareholders' and convertible stockholders' authority to make market purchases of up to 74,163,254 of its Ordinary shares subject to the price limitations set out in the above Extraordinary Resolution, such authority, in the case of the shareholders, to expire at the conclusion of the Company's 1989 Annual General Meeting. In the case of the Company's shareholders, this authority has now been given. The Trust Deed provides that such purchases require the consent of the Bondholders by Extraordinary Resolution. The consent contained in the above Extraordinary Resolution will not require annual renewal or be limited to purchases of an overall maximum number of Ordinary shares in order to relieve the Company of the administrative burden of convening further meetings of Bondholders.

In accordance with normal practice the trustee for the Bondholders, Guardian Royal Exchange Assurance plc, expresses no opinion as to the merits of the above Extraordinary Resolution. It has, however, authorised it to be stated that, on the basis of the information contained herein and in the letter referred to above, it has no objection to the form in which such Extraordinary Resolution is presented to the Bondholders for their consideration.

The quorum for the adjourned meeting is two or more persons present holding Bonds or voting certificates or being proxies wherever the principal amount of the Bonds held or represented by them.

The Extraordinary Resolution, if duly passed, will be binding on all Bondholders whether or not they were present or represented at the adjourned meeting and whether or not they voted in favour. To be passed, the Extraordinary Resolution requires a majority consisting of not less than three-fourths of the votes cast in respect of it, whether on a show of hands or on a poll.

A Bondholder wishing to attend and vote at the adjourned meeting in person must produce at the adjourned meeting either the Bond(s), or a valid voting certificate or valid voting certificate issued by a Paying Agent relative to the Bond(s), in respect of which he wishes to vote.

A Bondholder not wishing to attend and vote at the adjourned meeting in person may either deliver his Bond(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to attend a proxy to attend and vote at the adjourned meeting in accordance with his instructions.

Bonds may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to his order or under its control by CIBEL S.A. or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euro-clear System or any other person approved by it, for the purpose of obtaining voting certificates or, until the time being

48 hours before the time appointed for holding the adjourned meeting, but not thereafter, giving voting instructions in respect of the adjourned meeting. Bonds so deposited or held will be released (a) at the conclusion of the adjourned meeting or (ii) upon surrender of the voting certificate(s) or (iii) upon surrender, not less than 48 hours before the time for which the adjourned meeting is convened, of the voting instruction receipt(s) issued in respect thereof and the giving of written notice by the relevant Paying Agent to the Company at its registered office at least 24 hours before the time appointed for holding the adjourned meeting of the necessary amendment to the block voting instruction.

Using certificate issued and voting instructions given for the meeting convened for 25th May 1988 will be valid for the adjourned meeting, unless the relative procedures referred to in sub-paragraphs (ii) and (iii) above are complied with.

Every question submitted to the adjourned meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the meeting or by the Company or by the Trustee or by two or more persons present holding Bonds or voting certificates or being proxies and holding or representing in the aggregate not less than one-fifth part of the principal amount of the Bonds then outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each £1,000 in principal amount of the Bond(s) so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

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MANAGEMENT

MAY HAS been something of a bitter month for Northern Engineering Industries (NEI), the Newcastle-based heavy engineering company.

At the same time as it proudly watched the fast-nearing completion of work on its £230m power station project at Rihand in India, it had to stand by while its arch rival, GEC Turbine Generators, put the final touches on a bid to build a lucrative second station on the same site.

A British Government decision last year ousted NEI in favour of GEC as the designated contractor for the second Rihand station. Now, as the first phase of their mammoth project draws towards a successful conclusion, that decision seems all the more unfair to NEI executives.

Yet, as the dust settles on the long tussle between the two companies, it is clear that the whole saga provides a rare object lesson on how companies should manage relations with Government. The UK put £110m of aid into the first phase and is expected to do out a similar amount for the second.

The received wisdom to industry is that GEC supplanted NEI in Rihand simply through the tireless and consistent lobbying for which it is renowned. In fact that is an over-simplification.

In the early stages of the project NEI was plagued by a succession of difficulties largely outside its own control, but a common thread to most accounts of its experience is that it paid too little attention to the need to nurture smooth relations with both the UK and the Indian authorities.

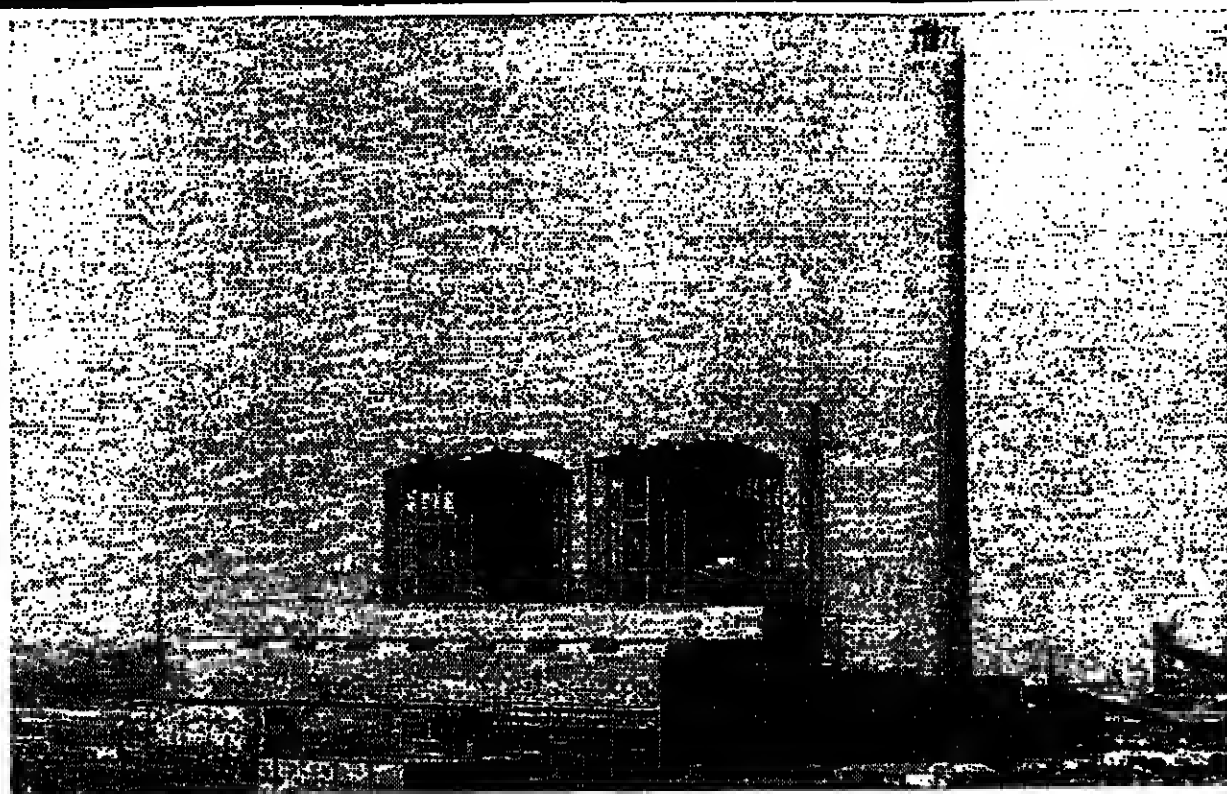
The Rihand site, 750 km south-east of New Delhi, was chosen with World Bank support because of its proximity to coal reserves and a plentiful supply of cooling water from the man-made Rihand lake, although it is 70km from the nearest railroad. There was no infrastructure there when the project started and there is still no telephone connection from the outside world.

According to Brian Nugent, the NEI executive now in charge of Rihand, the water level of the lake changes 20 m between seasons, the boilers had to be 40 per cent larger than normally expected because of the environmental conditions and the coal "is the worst quality we've ever dealt with." Yet none of these mitigating factors played much of a part when delays arose and the UK Government decided to nominate GEC as its chosen contractor for the second station.

That decision, says Graeme Anderson, NEI deputy chairman, "was undoubtedly a political one, and I'm not sure that the advice on which ministers took the decision was altogether sound."

In the event three main factors conspired to upset the company's case:

• NEI was originally pressed to sign its contract with India's National Thermal Power Corporation (NTPC) to coincide with a meeting between Britain's Prime Minister, Margaret Thatcher, and the then Indian Prime Minister, Indira Gandhi, in late 1982. It was a rush-job, the contract was too loosely drawn, agreement was not complete on specifications, and, as a result, it was not until January 1984 that ground was broken on the site.



NEI's Rihand power station in India nears completion - but the company failed to win the contract for a second plant

## Anatomy of a power game

Peter Montagnon explains why NEI failed to be chosen to build a second power station at Rihand in India - while rival GEC walked off with the contract

• NEI took a long time to establish a good working relationship with its Indian client. It argued with NTPC over specifications and standards. NTPC was also responsible for civil works on the site and its contractors, over which NEI had no control, ran behind time, adding to the delays.

• Finally, Anderson adds, the whole contract became caught up in domestic Indian politics. Local resentment about the amount of work going to a British company meant that, when it came to the second phase, Indian officials could not actively support NEI as a lead contractor.

To some degree, NEI now admits that these problems were partly of its own making. "We would accept that there were areas within the Rihand project where our management should have been stronger. We have learned more about civil works on this contract than on any previous one," says Nugent. Anderson says the original contract was a hastily drawn one "with more concessions in it than we would have had if we'd been allowed more time." NEI could have paid more attention to its image within the Indian political community, he adds.

Businessmen familiar with the workings of Whitehall say this succession of difficulties put NEI at a major disadvantage.

Government officials pride themselves on their objective judgments but they also instinctively mistrust organisations that acquire a reputation for causing them trouble. When selecting contractors, they like winners. At the time when the decision on the second phase was made, NEI, which had irritated the Indian authorities with its performance, simply did not look like a winner.

That is not to say that the decision to choose GEC as the lead contractor was an easy one. Such decisions never are, and officials dislike having to make them. They are politically difficult because there is always at least one disappointed party and they lay the Government open to criticism that taxpayers' money in the form of aid is being set aside for the benefit of one particular company.

Technically, the position of lead contractor is known as "chosen instrument". Being the chosen instrument means that the company concerned is put in an exclusive position. It becomes the sole UK company eligible to claim aid support for the project in question. It may reserve around a quarter of the work for itself and choose the subcontractors for the rest, though it will have to justify its choices to the Department of Trade and Industry (DTI).

In some sectors, such as water and civil engineering, industry itself frequently manages to decide which company shall lead a bid. Indeed, with the first Rihand station, NEI emerged as the lead contractor after negotiations with GEC and Babcock. Given the intense competition between NEI and GEC and the worldwide shortage of work in the power sector this was not possible for the second phase.

Though the Overseas Development Administration increasingly has a say in such decisions, the key department is still the DTI. The "chosen instrument" decision is taken formally by ministers on the advice of the Overseas Projects Board (OPB), which is made up of leading representatives of commerce and industry and is currently chaired by Don Holland, chairman of Balfour Beatty. Yet the OPB itself is heavily influenced by the advice it receives from the DTI, and that is where lobbying comes in.

Bob Davidson, the soft-spoken but forceful Scot who heads GEC Turbines, is reluctant to speak about the Rihand affair, but he does acknowledge the importance of government relations. "It's imperative that we're in regular contact and touch with government at different levels. I don't regard that as

lobbying. These are formal discussions surrounding the project." Certainly few executives used to dealing with Whitehall believe much is to be gained by ingratiating themselves with officialdom through invitations to occasions like Wimbledon, Ascot or Glynedebourne. But, as NEI discovered, it is also not enough to depend for one's image on the quality of final product alone. That reputation has to be cultivated and explained at senior level.

Government officials maintain strict standards of fair play in their relations with industry, but they also expect their interlocutors to present an intelligent case. Personalities, too, inevitably play an important part in forming their perceptions. As one member with long experience in the field puts it: "Civil servants are highly intelligent people who are open to persuasion. You've got to make sure the case is well argued."

Before the second Rihand decision was taken, both companies were asked to provide a written brief, setting out their case, which the DTI then evaluated with the help of consultants. GEC stressed its track record in the Castle Peak power station project in Hong Kong and the strength of its existing project management team. NEI put to what Anderson describes as "an engineer's submission" stressing the advantage of replication of the first phase from which NEI had gained a wealth of experience.

NEI's fate was communicated to Anderson during a brief meeting in London with Giles Shaw, then the minister responsible. The following day Anderson left for Rihand to tell NEI staff on site what had happened - a task made all the more difficult by the fact that they were confidently expecting the decision to have gone the other way.

NEI says it has learned a lot from this experience. Nowadays it pays much closer attention to relations with government. It reckons to see every new UK Ambassador on his appointment, wherever he is posted. A couple of years ago it recruited a senior DTI official, Ken Birning, to manage its government relations.

That effort is now clearly paying off. Within Whitehall, there is a growing recognition of the way in which NEI turned round the first Rihand project in the end. Despite the difficulties, the power station was capable of transmitting power into the Indian grid only 66 months after the contract was signed. This may compare with an original schedule of 63 months, but it is still six months less than it took in the case of Drax B in Yorkshire which was built in much easier circumstances.

But that realisation has come too late for NEI to lead the second phase. At the end of the day that choice boiled down to the Government's instincts on which company was most likely to win the contract.

Meanwhile, GEC still faces competition for the actual contract from Siemens of West Germany in partnership with Bharat Heavy Electricals of India. Confident though British officials are that they sought to be objective, there could be egg on a lot of faces if the contract were to go to West Germany.

## Where are they now? . . . here's where

Michael Skapinker drops in on a reunion of the London Business School's first MBA graduates

ON A WARM evening in London last week yet another Class of 1968 gathered to talk about the year when the world was young and everything seemed possible.

For many of this group, everything was possible. Few look disillusioned, none look disappointed. The bourgeoisie's staying power is no mystery to them. The proletariat's insurrection, his desire for credit cards and privatisation shares delights them.

For while the students of Berlin, Paris and London were plotting the destruction of capitalism, this group were thinking how best to profit from it.

They were the first class to graduate from the London Business School with a master's degree in business administration. Twenty years on they came to the Savoy Hotel to slip champagne and reminisce.

The LBS "Class of 68" produced Derek Lewis, group managing director at Granada, the leisure, retail, media and services group; Seymour Fortescue, director, UK retail services, B&Q and Bank; James Arnold-Baker, chief executive of BPC Enterprises; and Vic Rice-Smith, personal director of Lever Brothers. There was little doubt, however, about who was the star of the gathering: Sir John Egan, chairman and chief executive of Jaguar cars.

He waved dismissively when the others, crowding around, told him that possible dates for the reunion had been juggled to find one which suited him. "You're the only one of us that anyone has ever heard of," one of his classmates reminded him.

How useful has his LBS degree been to him? "The big things that managers had to contend with in those days were low productivity and bad industrial relations and these weren't dealt with," he says. "On the other hand, we had a damn good grounding in finance."

Derek Lewis points out that in 1968 the MBA degree was new to Britain. Few in the class could be certain that there would be jobs waiting for them when they finally graduated. Many suspected that each day's course had only been devised the night before.

And what of those other events of 1968? Had they had any impact on the class? "What else happened in 1968?" Lewis asked. "We were obviously so engrossed in our work."

"We were a conventional bunch, let's face it," one of them said. Alan Maloney, managing director of consultancy marketing Dynamics, recalls that he was the only member of the class who wore jeans. "Until the peer pressure got to me."

Perhaps they are a little too hard on themselves. They have not all settled for life at the top of a large corporation, as the autobiographical notes they prepared for the occasion reveal.

David Mahony tells his classmates that he is "resolutely self-employed. The dozen companies on whose boards I sit have only me as their common link. They range from pics to a two-man band, from very high technology to no technology whatsoever. I have been through four flotations, four reorientations and every point in between."

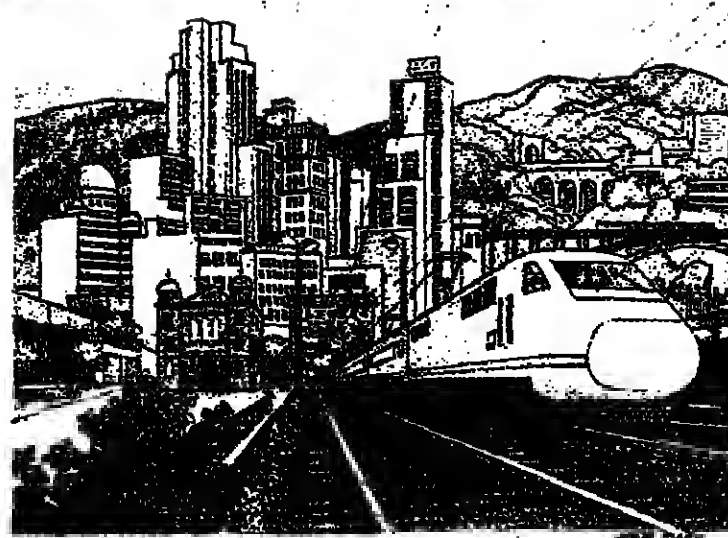
### Own company

Richard Thompson reveals that he lives in Gloucestershire, running Cotswold Communications, a company he owns with his wife. The company, which they started from scratch in 1981, supplies computer systems and other high technology equipment to businesses in the area.

Unlike many of those graduating from business schools today, a substantial number of the group have opted for jobs in manufacturing, rather than consultancy or financial services. John Morris is based in Leicester as sales and marketing director of TI Desford Tubes, a specialist manufacturer of thick wall steel tubes. Michael Southworth is managing director of Spooner Industries.

Bruce Lloyd, on the other hand, spends "more time relaxing and enjoying life." He is a freelance consultant, a member of the executive committee of several small charities, a trustee of the Camden Arts Centre, and chairman of the audit committee of the British Institute of Management. He is the author of many articles, including *Corruption - where do you draw the line?* and *Zen and the Art of Queuing*.

"The older I get," he writes, "the more I feel there's so much more to life than making money." Spoken like a true child of the Age of Aquarius.



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# Doubts on industry ability to sustain resurgence

BY NICK GARNETT

THE ABILITY of British manufacturing companies to translate recent improvements in efficiency, output and profits into a sustainable resurgence is questioned by two reports published yesterday.

Interviews with 100 chief executives and managing directors in large and medium-sized companies carried out this year on behalf of PA, the consultancy group, shows that more than three quarters believe a renaissance is taking place.

PA says, however, that an analysis of the response of these managers to questions on their companies' research and development, product strategy and manufacturing technology casts doubts on whether their programmes are good enough to keep them competitive.

The second report, by the University of Manchester and the Science and Engineering

Research Council, examines the quality of 24 factory buildings in the UK which have introduced advanced manufacturing equipment and compares them with plants in West Germany, Italy, Sweden and Japan.

British factories are generally older, smaller and more cramped than those abroad, the report says and this seriously weakens the effectiveness of new production machinery.

"In the face of high quality, well-designed facilities in Europe and Japan, there is a real need for new concepts, new facilities and new approaches in the design of facilities for advanced manufacturing technology in the UK," the report argues.

"It seems clear that UK industry should pay much greater attention to its buildings if it wishes to operate effectively in a competitive world."

The PA study is based on inter-

views with chief executives and managing directors of manufacturing companies, a third of which have yearly sales over £100m and a fifth with sales below £20m.

Of these, 79 said they believed British manufacturing was going through a renaissance and 8 per cent said it was in decline, with the rest undecided.

PA uses the replies to pay tribute to real improvements made by these companies, including more efficient manufacturing, more aggressive marketing and better labour relations.

These were all genuine achievements the report argues. The confidence of these companies is now so strong that the majority saw overseas manufacturers setting up in the UK as beneficial and there was little fear about the long-term impact of the October stock market slide.

# Ministry accused on Trident plant delays

Financial Times Reporter

MPS from all parties yesterday severely criticised the Ministry of Defence for "demonstrably inaccurate" evidence on the construction of a nuclear complex for the production of Trident warheads.

The Defence Select Committee also attacked the MoD's "lack of frankness" over severe delays in sonar equipment development for Trident submarines.

The criticisms came in a committee report on the Trident programme which Mr Martin O'Neill, Labour's defence spokesman, described as "a sorry tale of mismanagement."

The MoD had told the Select Committee in January 1988 that construction of new facilities at atomic weapons plants was progressing satisfactorily.

But when giving evidence before the Committee two months ago, MoD officials admitted the Polaris A90 complex - originally scheduled for service this year - would not start production until the end of 1992.

To supply warheads for the first Trident submarine, HMS Vanguard, due in service in 1994, much greater use would have to be made of an existing plant from the Polaris era, adding up to £10m to the programme costs, said the report.

On development of sonar equipment, the report said: "For three years the Government has made reports on the progress of the sonar suite which did not include important facts about serious problems and delays which had arisen. This is unacceptable."

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# Inner-city groups challenged

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

AN ATTACK on the handling of inner-city regeneration by the London Docklands and Merseyside Development Corporations came yesterday from the National Audit Office, Parliament's public spending watchdog.

Both the corporations are accused of lapses of management control, and the Department of the Environment, which oversees them, is told that it should monitor their planning procedures more closely.

The London Docklands and Merseyside corporations, the first of their kind, were set up in 1981. They play a key role in the Government's strategy to rejuvenate inner cities.

Among the lessons the Audit Office has drawn from the London and Merseyside experiences is that, if urban development corporations are to work properly, they need to be large enough for effective planning.

In its discreetly worded report, it urges the Department of the

Environment to strike a balance between leaving development corporations free to pursue day-to-day management and effectively controlling the use of public funds. The need for firm control "is all the greater with the increase in the number of IDCs and the extra funds allocated to regeneration."

"Department of the Environment: Urban Development Corporations - report by the Comptroller and Auditor General, May 1988; HMSO; £4.80.

# Cricket appeals for a wider audience

THAT MOST traditional of English sporting bodies, the Test and County Cricket Board, wants to be a player in the new commercial world of satellite and cable television, Raymond Saddy writes.

In the Pavilion Long Room at Lords, the spiritual home of cricket, amid ancient portraits and bats of famous amateurs such as W.G. Grace, the administrators of the English game yesterday unveiled a very commercial plan for the "privatisation" of the cricket on television.

The board has sent a report to Mr Douglas Hurd, the Home Secretary, bemoaning the fact that Independent Television does not show cricket as part of its regular programming, giving the BBC a monopoly which it strives to maintain against all comers - such as Channel 4.

"Thus cricket finds itself operating in, in effect, a closed nationalised market. If it wants to go on television it has to go on the BBC. If viewers want to watch it, it has to be on BBC," the board has told the Home Secretary.

The board, therefore, wants to be a partner in the operation of any fifth channel decided by the Government.

It also wants to talk to all the operators of new cable and satellite channels, as well as the BBC and ITV, to discuss how cricket should be televised when the present three-year contract with the BBC, worth about £1.2m a year, runs out at the end of the 1989 season.

"We believe strongly in the liberalisation of television and we hope that over the years we will get a very sensible and

adequate financial return back to the game for us to maintain the standards we believe are essential," Mr Bernie Coleman, chairman of the board's television working group, said yesterday.

Coming so soon after British Satellite Broadcasting's plans to buy first rights to television coverage of British football matches the report, delivered by hand yesterday to Mr Marmaduke Hussey, chairman of the BBC, and Mr Michael Checkland, his director general, will seem like a very fierce bouncer.

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Date 23-24 June 1988. Fee: £1,000 (inclusive of assistance). Applications should be made to the registrar, Release Desk, Business Forecasting, London Business School, Sussex Place, Regent's Park, London NW1 4SA. 01-262 9050.

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UK NEWS

Building societies warned on plans for future status

BY DAVID BARCHARD

MR PETER LILLEY, Economic Secretary to the Treasury, yesterday reinforced warnings to building societies to proceed cautiously when considering conversion into limited companies.

Speaking at the Building Societies Association annual conference in Torquay, Mr Lilley said borrowers and lenders should not be "unfairly induced" into supporting the change.

It appeared to be a reference to suggestions that building societies trying to convert might offer their members some kind of financial incentive to vote for it. A change would have to be approved by 75 per cent of the voters in a ballot in which at least 20 per cent of all members took part.

Mr Lilley said he believed there could be a continuing future for mutual societies and he cited the example of the life assurance industry in which mutual and limited companies existed side by side in the market.

His words, coming only 24 hours after a similar warning by Mr Michael Bridgeman, head of

the Building Societies Commission, are bound to raise questions about the Government's attitude to building societies shedding mutual status.

Mr Lilley reaffirmed the Government's formal neutrality on the issue but the warnings are bound to give some of the likely candidates for conversion pause for thought. So far, only the Abbey National has announced plans to become a company.

Mr Tony Stoughton-Harris, BSA chairman, told the conference that building societies had regained a 70 per cent share of the mortgage market, compared with less than 50 per cent in the middle of last year.

He expected building societies would lend more than £50bn this year, 50 per cent more than in any previous year, and his speech reflected a current surge of confidence among building societies about the prospects for the movement.

"It is virtually certain that there will be a record level of net receipts this year," he said. However, he felt the Government had not gone far enough in easing the limits on unsecured lending.

Banks move to blacklist serious loan defaulters

By David Barchard

CUSTOMERS who default on loans from eight high street banks and their affiliated credit card organisations are to be reported to the UK's three leading credit reference agencies, under an agreement to be announced today.

A blacklisting with the three agencies - Infolink, CCN Systems and Westcot Data - will make it difficult or impossible for the individuals concerned to obtain any further credit from other lenders.

Mr Brian Walter, of Midland Bank, said: "This new arrangement will not affect customers who may have payments problems but are in regular contact with their bank."

"It is intended only for cases where there has been an irremediable breakdown in the relationship between the bank and its customers and we envisage that the number of persons being reported will be very small indeed."

The banks have agreed with the Data Protection Registrar that, before anyone is reported to the credit agencies, the individual in question will be given at least 28 days' warning and the opportunity to repay debts.

Nick Garnett reports a resurgence in Britain's capital goods and equipment sector Manufacturing recovers - but could do better

THE 44 British companies manufacturing paper-making machines and other equipment used in paper mills, this week announced something that is becoming increasingly familiar. In yet another sector of engineering, sales and output are rising.

Manufacturers in the British Paper Machinery Makers Association notched up record sales of £134m last year, up from £119m in 1986. More than half came from exports.

On its own, that is hardly much to shout about, but it underlines a view the City usually expresses these days.

Ask most City analysts and they will give you a rosy picture of the state of medium and heavy engineering in the UK.

According to this view, production is increasing, profits are pretty good, the unions are beaten, investment is going in and there is a new breed of manager.

The trouble is, that picture fails to take account of the downside: the way output in France and Italy has passed the UK's in a number of sectors since the start of the 1980s, the general failure of the UK to recoup market share against West German market leaders and a continuing dearth of investment in new plant and extra production capacity.

At first sight there are a lot of statistics to back up the picture of UK engineering coming out of the doldrums.

Britain is now probably the biggest farm tractor maker in Europe, and the North American companies that have put it in that position are having their busiest production period for years. Ford at Basildon is operating at almost full capacity. Massey-Ferguson at Coventry built 65,000 tractors and tractor kits last year, the biggest volume by far since 1984.

Machine tool companies suffered a sharp demand last year but in October demand took off. Managers at Bridgeport, a Leicester manufacturer of milling machines and machining centres, say it is "bursting at the seams."

Matrix-Churchill, a Coventry manufacturer and assembler of lathes and machining centres is expecting to increase cash sales this year by almost 40 per cent on the £26m of 1987.

A lot of the increase has come from domestic demand. On the same theme of investment, Mr Bob Bischoff, head of the UK operation of Jungheinrich, the West German lift truck and materials handling company says demand in the UK "has gone absolutely mad."

The construction boom in the UK, together with strong markets in France and Spain, is having a big roll-on effect on Britain's manufacturers of construction machinery. Some of the weaker members of the fraternity are still restructuring and reducing their labour forces but most com-

panies are enjoying very buoyant sales. J.C. Bamford, whose main product is the backhoe loader, is showing extraordinary growth, increasing unit output last year by a quarter to about 12,500 units.

Even though JCB depends on exports to dollar-sensitive North America for 20 per cent of sales, Mr Gilbert Johnson, the company's managing director, says the company is budgeting to increase sales this year by another 25 per cent and for profits to rise.

It is much the same story in diesel engine building as world-wide demand for the machines that take such engines recovers from the depressed levels of the mid 1980s.

Output at Perkins in Peterborough rose last year to 150,000 complete engines and 87,000 kits. Mirless Blackstone, a manufacturer of very big diesels from 1200 to 13,000 kW, has its biggest ever order book.

Hawker Siddeley, the last remaining British heavy and

medium engineering company that has not diversified substantially into electronics, is a frequent target for City criticism.

But orders at the company, which employs 23,000 people in the UK and had total sales last year of £1.7bn, are running 10 per cent above last year's levels. Its battery, forgings and signalling businesses are not having a very happy time but the company says most of its product areas such as switchgear, small transformers, industrial semiconductor, diesels and rail equipment have healthy order books.

Many companies in medium engineering now export to Japan. Hawker does so with small motors and equipment for railcars. Weir, the Glasgow-based pump maker, has recently won a big order to supply Mitsubishi.

Tohiba last year set up a large purchasing office in England to buy British and EC power station equipment.

Ask an analyst, though, where Britain is really regaining lost market shares to our main European competitors and there is usually a long silence.

Motor components might be one area. Earth-moving and farm machinery might be others but there are not many.

Aerospace has now taken over from vehicle building as the main demand motor for many equipment supply sectors. That is why some machine makers are frightened of the long-term consequences of British Aerospace's

plan to source components from outside the UK because of the dollar.

There is also the issue of value added. For example, Exelma made about 40,000 units of mobile construction machinery last year, against 30,000 in West Germany, according to Plambeck, an industry analyst. The value of German sales was much higher, however, partly because it sells higher-value products.

The view that enough investment is taking place is absurd. There are many excellent plants in the UK but far more that are in old buildings with inferior production machines. Many of them are a disgrace compared with those in use by companies in West Germany and Sweden.

A continuing complaint of factory managers is that they cannot get approval from head office for investment they think they need and they are frequently hamstrung with tight payback times.

A common sight is that of designers working on expensive computer-aided design facilities which a company has to have, but in a 1980s office with two and no carpet on the floor.

The UK trade balance in heavy and medium engineering has fallen from about £8bn to £3.5bn in the past eight or nine years. At least having a balance in the market contrast to the electronics and many consumer goods sectors, where British performance has been so poor.

Overseas aid falls to 0.28% of GNP

BY PETER MONTAGNON, WORLD TRADE EDITOR

BRITAIN'S official overseas aid as a proportion of gross national product fell to a new low of 0.28 per cent last year, according to figures released by the Overseas Development Administration.

That compares with 0.32 per cent in 1986 and, according to the World Development Movement, an anti-lobby group, the UK has now slipped from fifth place to sixth for aid spending among the seven richest industrial countries.

Mr Christopher Patten, the minister for overseas development, said the ratio reflected the strong growth in the UK economy last year. In absolute terms the UK aid budget was now growing and it was planned to be 5.7 per cent higher at £1.36bn in 1988.

Total UK aid spending was the fourth largest in Europe and the fifth or sixth largest in the world, he said, although the precise ranking depended slightly on how Italian figures were interpreted.

However, UK aid spending as a proportion of GNP is now little more than half of the figure for 1975 and far short of the target of 0.7 per cent set by the United Nations for industrial countries.

Mr John Mitchell, director of the World Development Movement, said the figure was "an indelible stain on the record of the Government." He said that aid spending should be raised to at least the level of 1981, the second full year in office of the present Government, when it was 0.43 per cent of GNP.

New Liffe chairman seeks closer ties with Continent

BY DOMINIQUE JACKSON

THE LONDON International Financial Futures Exchange yesterday elected Mr David Burton to succeed Mr Brian Williamson as its chairman.

Mr Burton, an executive director of S.G. Warburg & Co, said he intended to raise the profile of Liffe in the City of London and to work towards co-operation with continental European futures exchanges ahead of the unified EC market in 1992.

Mr Burton is Liffe's third chairman. He has been associated with the exchange since its inception and was a member of the original working party in 1980.

For the last five years he has been chairman of Liffe's membership and rules committee. A restructuring of present membership would be among his priorities in his new position, he said.

Mr Nicholas Durlacher, of Barclays de Zoete Wedd Futures, and



David Burton: Planning to restructure Liffe's membership

Mr John Edwards, of Bailey Shatkin, were appointed deputy chairmen.

Underwriting room for CU

BY OUR FINANCIAL STAFF

COMMERCIAL UNION, the composite insurer, aims to exploit the European Community's moves to create a free internal market by setting up an open-plan underwriting room in its head office building in St Helen's, Under-shaft, in the City.

The room, due to open for business officially today, will house 50 underwriters, mainly offering

commercial property and liability insurance.

The idea is to attract business from insurance brokers by giving them the kind of free access to underwriters for which the Lloyd's underwriting room in Lime Street is famous.

CU believes its room will help it to take maximum advantage of new business flowing into London.

OBITUARY Joe Hutton: FT journalist

MR W.H. (Joe) Hutton, who died at the weekend aged 65, was one of the journalists who formed the backbone of the FT during its rapid expansion in the post-Second World War years. His 45 years of employment from 1938 to 1984 were broken only by a period of war service.

Joe Hutton joined the Financial News on August 3 1938 in the press department, then under the strict rule of A.L.W. Shillady. He rejoined the newspaper, now merged with the FT, after the war as a sub-editor and later worked in Company Comments.

In the late 1950s Joe took over from Mr Bill Roger as Surveys Editor, a post he was to occupy for more than 20 years. This area of the paper was to expand and swiftly during the 1960s to its peak of some 1,500 pages a year.

During this time Joe exhibited a constant unreliability in the face of regular production crises.

As Surveys Editor he also developed a sure technique for handling relations with the advertising department, and an enviable way of dealing with the more persistent of advertisers' public relations personnel. His classical education and fund of erudition gave him a mastery of the conversational "put-down" ("Fresh woods and pastures new", not fresh old boy) while proving invaluable to colleagues who were stuck either for a headline or for the answer to a crossword clue.

At the end of the 1970s Joe was happy to move aside in favour of younger colleagues, remaining in the Surveys department until he retired. He will be remembered with affection.

HOW A MORE POLISHED PERFORMANCE SAVED £38,450. Advertisement for Arenson International, makers of high quality wood veneered President office furniture. The ad describes how gas-fired steam batteries proved less than satisfactory, and how switching to a new ultra-violet lacquer-curing system saved £38,450 per annum on energy and materials alone.

A first-class finish is vital to Arenson International, makers of high quality wood veneered President office furniture. But they found that drying their lacquers with gas-fired steam batteries was proving less than satisfactory, and taking far too long. So after consultation with their local Electricity Board they decided to switch to a new ultra-violet lacquer-curing system. Immediately quality improved and productivity increased greatly. Process time was cut from 50 to 3 minutes, with faster start-up, and weekly instead of nightly cleaning. Improved working conditions were an added bonus. The £38,450 saving per annum on energy and materials alone brought a 3 year payback, production increased, overtime decreased. Altogether a thoroughly polished performance.

But the final words should come from Arenson themselves: "If we had to put in another finishing plant, there is no question at all it would again be an all-electric system". This is but one example from thousands of companies each year who invest electric and profit. Like pharmaceuticals manufacturer Pharmax Ltd, who changed to an electrode boiler operating on low-cost night-rate electricity, and cut the cost of producing raw materials for baby creams by 80% - automatic close control of temperature and pressure resulting in higher material yields. Or like Barzillai Hingley who manufacture forgings for marine and general engineering. Their change from oil-fired furnaces to induction heating prior to forging has improved productivity by 20%, cut down-

time by 90%, energy costs by 60%, and repaid capital costs in less than 12 months. Find out more about how your company could benefit. Ask for the Industrial Sales Engineer at your Electricity Board or simply clip the coupon. Please send this coupon with your business card, letterhead or compliments slip attached to: Electricity Publications, PO Box 2, Feltham, Middlesex TW14 0YK. [ ] Please send me your VHS video cassette 'Electricity - Practical help for industry'. [ ] Please arrange for an Industrial Sales Engineer to contact me. Name: \_\_\_\_\_ Company: \_\_\_\_\_ 1975 INVESTELECTRIC Energy for Life The Electricity Council, England and Wales

Advertisement for Investelectric, featuring a coupon to request a video cassette and contact information for an industrial sales engineer. The coupon includes fields for name and company, and checkboxes for requesting a video cassette and a sales engineer contact. The logo for Investelectric is 'Energy for Life'.

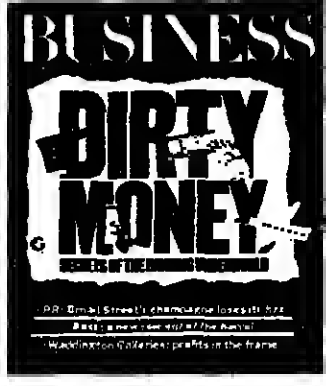


# Q. WHY IS A BOMBAY BUS TICKET WORTH \$10,000?

## A. HAWALA

Among the world's banking networks is one so secret it has no address, no records, no controls. But your corner shop may be part of it. This month, **BUSINESS** investigates how Hawala, India's money laundry, is now being hijacked by international crime. Also, why a former Co-op shelf-filler is souping up US supermarkets, how Bass is fermenting a leisure empire, timely advice on pension plans, the discreet charm of the Costa del Sol and the problems facing ageing studs.

**BUSINESS Magazine.**  
In sale now, price £2.99 (in hard currency).



### Media told to hand over Wapping pictures

NEWSPAPERS and television companies were yesterday ordered to hand over unpublished film and photographs of a violent demonstration in January last year during the dispute over News International's Wapping plant in London.

Making the order in a High Court sitting at the Old Bailey, Mr Justice Allott said it was in the public interest that the material should be made available to a Northamptonshire police team investigating more than 440 complaints and allegations about police behaviour.

The Independent Observer, Mr Justice Allott said, was a Northamptonshire police team investigating more than 440 complaints and allegations about police behaviour.

Mr Justice Allott said he "wholeheartedly supported" a free and independent Press and he did not believe his order would undermine that. Mr Wytko's application was "far from a fishing expedition" as he believed all the material he wanted had been taken at crucial times during the violence by people near to it.

It was in the public interest that Mr Wytko should have access to it, the judge said.

### Monopolies body to study atomic energy agency

THE EFFICIENCY OF THE UK Atomic Energy Authority is to be investigated by the Monopolies and Mergers Commission as part of the continuing programme of nationalised industry audits.

The investigation was announced yesterday by Mr Kenneth Clarke, Trade and Industry Minister.

Mr Clarke confirmed that the London Underground would be investigated once the King's Cross disaster investigation was completed. The Northern Ireland Transport Holding Company is also to face an efficiency audit as well.

These audits will be carried out under section 11 of the 1980 Competition Act to determine whether or not nationalised industries and other public sector bodies are carrying out their activities in an efficient manner and are not abusing their monopoly power.

The investigation of the UKAEA will look at all aspects of the authority's activities.

Mr Clarke said he expected shortly to publish the report on the efficiency of Post Office counter services.

## Levelling-off in school exam passes worries MPs

BY DAVID THOMAS, EDUCATION CORRESPONDENT

CONCERN at the failure of exam results in Britain's schools to improve since 1983-84 was expressed yesterday by the Commons select committee on education.

The committee demanded an explanation from the Department of Education and Science in a report on the Government's spending plans which showed considerable unease about key aspects of Britain's educational system.

The report pointed to a steady increase in the proportion of children achieving 5 or more O level or CSE passes from the mid-1970s to the early 1980s, but said there had been little improvement since. It called on the Government to publish other performance indicators by which progress in Britain's educational system could be judged.

However, the DES yesterday rejected the suggestion that the trend of improving standards had been halted. It said the earlier improvements had arisen because more children were being entered for exams.

The all-party committee, which has a majority of Conservative MPs, also urged the Government to ease "the very tight constraints on the current level of science research."

The report concluded: "The present level of funding is causing difficulties in the scientific community. The proportion of top-quality research project applications which the research councils are unable to fund is disturbingly high."

It warned of growing worries that the pool of qualified scientists and engineers from which industry draws will in future be inadequate because of the impending decline in the number of young people entering the labour market.

The committee questioned some aspects of the Government's educational planning. It asked the DES to publish projections of the balance between university and non-university higher education in the 1990s in order to plan for demographic changes.

Noting that 1,610 schools had closed in the 1980s, the report also urged the Government to issue each year its expectations of the numbers of schools, school places, pupils and teachers for the following year.

The committee dismissed as both unrealistic and undesirable government projections of a more than 60 per cent cut in capital spending in the non-university higher education sector this year, compared with last.

It also called on the DES to say how it intended to conform with the Government's policy of lifting off work from Whitehall Ministries into independent agencies.

Report on Department of Education and Science and Office of Arts and Libraries Expenditure Plans 1988-89 to 1990-91. HMSO. £10.80.

Teachers' pay, Page 15

## BT sets up consumer panels nationwide

BRITISH TELECOM'S latest ploy to improve customer relations was announced yesterday. It is the consumer liaison panel.

The panels are discussion groups where employees and customers can resolve tricky issues, explained Mr Iain Vallance, BT chairman. There are already eight pilot panels and, because of their success, the scheme is now going nationwide.

There is no question of paying panel members, as that would compromise their independence. Only the chairman, who are "appointed by and independent of the company," are paid, while the involvement of ordinary members is limited to the free loan of a Prestel set.

Ms Jan Walsh, who runs the project, said the Prestel set enabled BT to operate the first consumer liaison panels in the world that could communicate with each other electronically in between the bimonthly face-to-face meetings.

Mr Vallance said: "Panels are not captive bodies of BT." However, he emphasised that they were not intended as pressure groups.

That was a point readily accepted to by Mr Brian Bell, who sits on one of the telecom advisory committees, the real pressure groups, as well as the Warrington panel. He said: "The atmosphere is very different from advisory groups, where we are on the defensive."

What is more, because panel members do not deal with individual consumer complaints - simply matters of policy - BT takes no steps to make its customers aware of who are the panel members in their area.

Asked about the pilot panels' achievements, one woman member said yesterday she had taken the Leeds operators to task for calling her "lady." Now they call her "Madam."

## Business choice 'to be Mercury'

LARGE BUSINESSES will switch to Mercury Communications in increasing numbers as a result of lower costs and a better-quality network, according to a survey published by James Capel, the stockbroker.

The survey of 100 businesses with an average annual telephone bill of £3.5m was conducted last month. It shows that 84 per cent of companies expect to use Mercury, up from 68 per cent now.

Mercury scored higher than BT on performance in each of the categories telephone managers were asked about.

On the basis of this survey, Capel is predicting that Mercury will have captured 7 per cent of the UK telephone market by 1992. As a result, Mercury, which has yet to report a profit, should be earning operating profits of £260m in 1992.

## Review for race equality grants

BY ALAN PIKE AND DAVID THOMAS

MR DOUGLAS HURD, Home Secretary, yesterday announced a review of grants made to local authorities to help to overcome racial disadvantage.

The move comes after publication of two reports into the Development Programme for Race Equality (DPRE) in schools in the London Borough of Brent, which became the subject of national controversy when Ms Maureen McGoldrick, previously a head teacher in Brent, was accused of racism in 1988.

Mr Hurd said it was time to look again at the criteria and procedures by which such grants are made under section 11 of the Local Government Act.

Grants amounting to about £100m are made under section 11, with 80 per cent of the expenditure devoted to education.

The Government says it wants to retain special arrangements for financing the needs of ethnic minorities arising from racial disadvantage, particularly in the inner cities. But it will look at how that is done, including possible alternative methods of financing and the need for clear objectives and a framework within which efficiency and effectiveness can be measured.

Mr Hurd ordered an investigation into the Brent scheme in December after complaints that it should not qualify for section 11 funding.

In his report, Sir David Lane, a former chairman of the Commission for Racial Equality, says that after a bad beginning the scheme is now making a positive contribution. The Government will allow it to continue subject to "extensive undertakings" about the way it is run. It will demand independent monitoring. Sir David describes Brent's



Douglas Hurd: Time to re-evaluate criteria for grants

concern to tackle racism and discrimination as admirable, but warns that damage can be done by "hinkered and insensitive zealots" campaigning under the banner of anti-racism.

The tenor of Sir David's conclusions are echoed in a report by the Department of Education and Science's inspectors of schools on Brent's race equality programme, also published yesterday.

The inspectors found that the work of Brent's DPRE staff in classrooms was mostly of sound quality and addressed the needs of ethnic minority pupils within the normal curriculum. The scheme's staff were appropriately qualified and experienced.

However, the inspectors also concluded that in-service training of the DPRE staff and the project teams associated with the scheme was not wholly effective. They made a series of recommendations for improving the scheme.

## Heads named for university funds body

BY DAVID THOMAS

THE GOVERNMENT has opted for continuity in its choice of the people to head the new council that will oversee university funding once the Education Reform Bill becomes law.

Sir Peter Swinnerton-Dyer, a former vice-chancellor of Cambridge University, was yesterday appointed the first chief executive of the Universities Funding Council.

Sir Peter, aged 61, has been closely identified with the policy of concentrating resources on departments identified as centres of excellence, a policy which has

been adopted by the University Grants Committee. He has been committee chairman since 1983.

The new council will replace the UGC, which did not have statutory powers. The precise way in which the Government will channel funds to the funding council which will in turn pass them to universities, has yet to be spelt out.

Lord Chilver, vice-chancellor of Cranfield Institute of Technology since 1970, was also named yesterday as the funding council's part-time chairman.

Lord Chilver, also 61, has sat on numerous official bodies and commissions and is viewed as having good contacts with industry. He will be leaving Cranfield before the funding council is established.

The funding council will come fully into operation next April, although Sir Peter and Lord Chilver are likely to begin preparatory work before the end of the year.

Sir Peter will be paid £51,880 a year and Lord Chilver will be paid on the same basis for one to two days' work a week.

### NOTICE OF REDEMPTION

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NOTICE IS HEREBY GIVEN THAT Hydro-Québec will redeem on 5th July, 1988 the Can. \$75,000,000 debentures outstanding for the 14% Debentures Series FP due 1991 at a price of 101% of the principal amount together with interest on such principal amount accrued and unpaid to the said date of redemption.

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| Bank Mees & Hope NV, Herengracht 548, Amsterdam, The Netherlands.                                    | Kreditbank SA, Luxembourg, 43 Boulevard Royal, Luxembourg.                          | Kreditbank NV, 7 Rue D'Arenberg, B-1000 Brussels, Belgium.                                 |

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Dated: May, 1988

### NORTHAMPTONSHIRE

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21st June 1988

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Anthony G Hayes on 021-454-0922

or write to him at:

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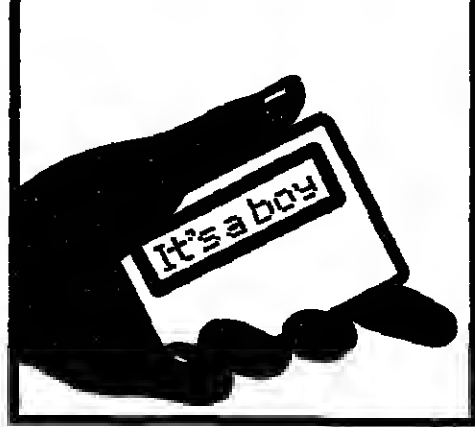
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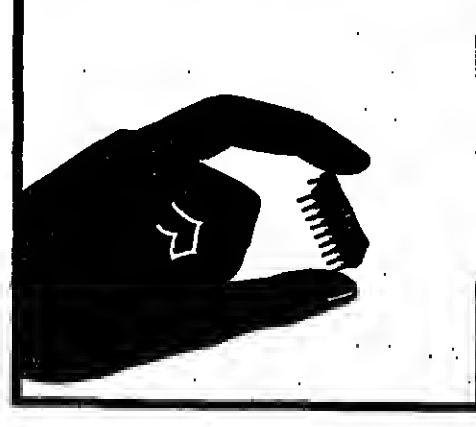
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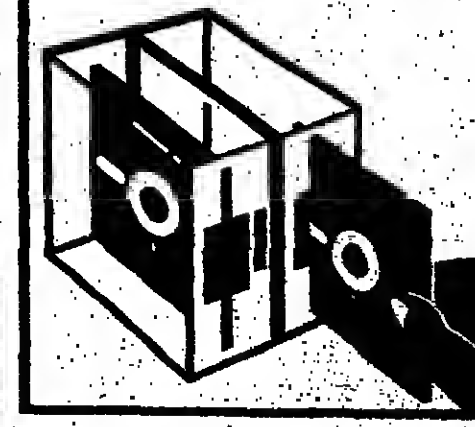
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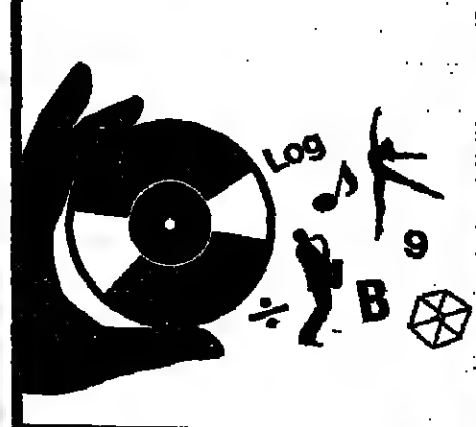
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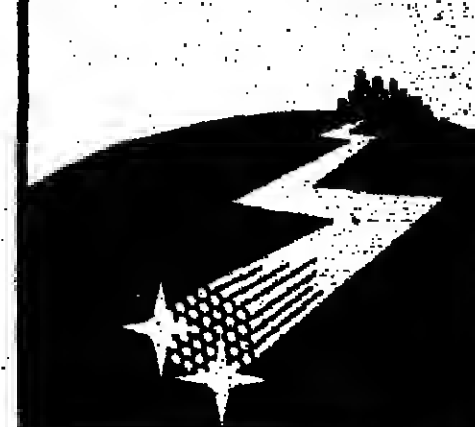
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UK NEWS

# Single property ownership trusts meet tax obstacle

BY PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

PLANS to introduce single property ownership trusts as a new medium of investment on the Stock Exchange are likely to be abandoned.

The Barkshire Committee representing companies and institutions involved in the property industry, which has been sponsoring the investment vehicles, has failed to reach agreement with the Inland Revenue on tax arrangements.

That means that a new property investment market, likely to start with offers for sale to the public this year, can only begin in truncated form. The plan was that three vehicles would be offered: a single asset property company, property income certificates, and single property ownership trusts.

Since last year, after the passage of the Financial Services Act, negotiations have been taking place on the regulatory framework for the new market with the Department of Trade and Industry, the Inland Revenue, the Securities and Investments Board and the Stock Exchange. The final drafting of DTI and SIB regulations is nearly complete. The Stock Exchange has published its listing requirements.

Although the DTI supported the Barkshire Committee in its sponsorship of single property ownership trusts and had inserted an amendment in the Financial Services Act to permit their introduction, the scheme has fallen foul of the Revenue.

The Barkshire Committee believes that the trusts would only be an attractive form of investment if they are tax-transparent - that is, taxation would apply only to the income of the trust investor, not to the trust itself.

While the Revenue has been prepared to accept that for income, it has not been prepared to grant tax-transparency if a trust should make a capital gain through the sale of the property. The Revenue evidently fears

# Whitehall brushes up its sweet tooth tables

By Simon Holborow

HOW THE Civil Service and its colleagues in local government managed to consume £25m worth of sweets and ice cream in 1984 is not known with any degree of precision, but apparently they did, the Central Statistical Office reported yesterday.

We do know, however, that our officials have more of a penchant for the domestically produced sweet than for its foreign rival. They spent only £22m on imported sweets that year.

The CSO has split the consumption of central and local government in 1984 into 100 categories - from "aluminium etc" to "rubber products" - but its work is likely to have a more lasting significance to the serious student of the British economy.

The details on government consumption are contained in the CSO's latest input-output tables for the UK. The tables provide a detailed analysis of the extent to which industry, in producing its final output, relies on the products of other industries and on imports.

Furthermore, the tables not only display the transactions between industries but the relationship of industries with both primary outputs and final demand. Such a level of detail allows economic model builders to look at the dependency of one industry on others and to see what effect a given level of demand would have on the economy in general and specific industries in particular.

The comparison of previous tables also allows economists to track structural changes in the British economy. Since 1963, for example, Britain has become much more dependent on imports of capital equipment.

The CSO said that "fundamental change" in the economic structure of the UK reflected two factors: a rise in direct imports of capital goods from an estimated 5 per cent in 1963 to an estimated 20 per cent in 1984; and a rise in intermediate goods that went to British manufacturers of capital goods.

The CSO first published a set of input-output tables for the UK in 1961. They were for the year 1964. They have published the tables on four other occasions since but up until now, economists have been working on tables produced for 1978.

# Conservation areas in the City get 27% of office permissions

BY PAUL CHEESEBRIGHT, PROPERTY CORRESPONDENT

PLANNING permission for 27 per cent of the new office space in the City of London during the 15 months to June 1987 was granted in conservation areas, according to figures prepared by the City's planning authorities.

However, the office schemes in the conservation areas were redevelopments, often behind historical facades, refurbishments or extensions.

The analysis of City office developments is contained in a report monitoring land use changes and planning decisions made under the City Corporation's new local plan, recently subject to a public inquiry.

Planning decisions in the conservation areas underscored the difficulty of monitoring land use changes and planning decisions made under the City Corporation's new local plan, recently subject to a public inquiry.

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Grand, near St Paul's Cathedral, accounted for 20 per cent of the new floorspace permitted in conservation areas.

However, the redevelopments listed by the planning officers in conservation areas were outside the heart of the City, in districts which are generally less environmentally sensitive than Mansion House Square.

Their report shows that planning permissions were granted for 11.8m sq ft of offices, which might lead to a net 10 per cent increase in the City's office space. The speed with which the planning permissions were granted owed much to the desire to consolidate the City's position as an international financial centre and to fend off competition from London Docklands as an alternative office centre.

This tide of planning permissions has now ebbed in the face of uncertainties in the international securities markets.

# Speyhawk to construct offices over City station

By Paul Cheesebright

SPEYHAWK, the property development group, has started work on an office project above Cannon Street station in the City of London, after the arrangement of £115m of financing through a group of British and Japanese banks.

The project involves the construction of two buildings, one of six storeys and the other of two, to provide 285,000 sq ft of office space. Speyhawk reached agreement with British Rail to use the space over the station two years ago.

The decision to go ahead with the building in the face of evidence that the City office market is quietening after a period of hectic rent rises reflects the belief that new offices in a central location would weather any storm caused by overbuilding. It is thought likely that supply and demand in the City office market will reach equilibrium in 1988-1989.

Speyhawk's ability to obtain funding on this scale is itself a reflection of the continuing enthusiasm of the commercial banks for lending to the property sector. Its facilities were arranged by Barclays de Zoete Wedd, which put together a lending syndicate of four British and five Japanese banks.

The Speyhawk loan rapidly follows a £50m facility put together for a Slough Estates-Viking Property ebbing venture in Chatham and a £20m facility for a Slough Estates-Sainting office project in London Docklands. Those loans marked the entry of chartered surveyors, respectively Healey and Baker and Richard Ellis, into the funding market for the first time.

In a further London property deal, Bayerische Landesbank Girozentrale, the German bank, has paid £50m for a new City headquarters, a 45,500 sq ft building on Appold Street, adjacent to the Broadgate office complex by Liverpool Street station.

# Company profits set to suffer as pension rules are tightened

BY RICHARD WATERS

COMPANIES THAT boost their profits by reducing or stopping contributions to their employee pension schemes are to be forbidden from reporting this as an immediate benefit.

The ruling, contained in a long-expected accounting standard published yesterday, will dent the profits of many companies whose pension fund assets have grown faster than their liabilities.

Such a situation has become common this decade with low inflation and high investment performance.

Since the 1986 Finance Act, companies have been required to reduce these surpluses, with many opting to do so by taking a "holiday" from their pension fund contributions for one or more years.

Companies such as BICC, Racal and IT have seen contribution holidays lift their reported profits by more than 10 per cent.

Lucas, one of the first companies to use the device three years ago, looked to a contribution holiday of £21.2m in 1986 for more than half of its UK operating profits, and a quarter of its group figure.

In future, companies will have to spread the benefit of the holiday over the average time employees are expected to stay with the company. The scheme between companies and industrial sectors, but is reckoned to average about 12 years.

According to a study of 40 large companies reporting pension fund surpluses by Bacon & Woodrow, consulting actuaries, the new standard would have forced these companies on average to double their contributions last year, representing an average reduction in profits of £10m.

However, the accounting standard contains significant concessions which will allow some companies to continue to take the holidays as one-off profit enhancements. These include:

- Where the surplus arises from a significant reduction in staff numbers. Several of the largest

surpluses earlier this decade followed large-scale redundancies among manufacturing companies. Companies in this position will be allowed to continue to take the benefit of any pension fund surplus in the year of the redundancies, since this constitutes an exceptional occurrence.

- Where a surplus is reduced by a refund to the company, the benefit can be taken in one year.
- However, under the Finance Act 1986 this is taxed at 40 per cent; contribution holidays increase taxable income at the current corporation tax rate of 35 per cent.
- Where there are other exceptional circumstances unforeseen by the actuaries who determined the level of contributions required to meet a scheme's liabilities.

Statement of Standard Accounting Practice No 24, Accounting for Pension Costs and Benefits, is published by the Institute of Chartered Accountants in England and Wales, 11, Abchurch Lane, London EC4N 3DF.

# Green belt plans turned down

BY JOHN HUNT

MR NICHOLAS RIDLEY, Environment Secretary, who has been under intense criticism over the extent of building development in the south-east, yesterday rejected two big schemes proposed for the green belt on the borders of north-west Kent.

Together they would have amounted to one of the largest developments in the south-east in recent times.

Mr Ridley has continually emphasised his intention to protect areas within the green belt and his action could go some way to placate his critics.

They would have formed a large new village in the Crayford Marshes, Bexley, on either side of the River Darent. Russell Stoneham Estates had sought permission for a mixed residential development, an industrial and business park, a school site and open space covering 438 acres of the marshes near Bexley in the London Borough of Bexley.

Kent County Council had



Nicholas Ridley: Actions may placate his critics

asked permission to develop 711 acres of the marshes at Dartford. Mr Ridley has also rejected the proposal for a bypass to link the Dartford Tunnel to the A206 at Erith.

In rejecting the Russell Stoneham scheme he said there was no severe shortage of housing land or industrial capacity in the area that would justify overriding the strong presumption against development in the green belt.

He told Kent County Council that their proposed site makes a valuable contribution to the Metropolitan Green Belt.

Mr David Hall, director of the Town and Country Planning Association, called yesterday for the building of a new generation of garden cities to help solve the housing problem in the overcrowded south-east.

His views might provide a boost for the concept of country towns in rural areas now being promoted by private builders such as Consortium Developments. He envisaged a dozen such cities outside the green belt, with populations of between 75,000 and 100,000.

# Charities get financial guidance

BY RICHARD WATERS

THE FIRST-EVER guidance on how charities should report their financial position, aimed at stamping out abuses among the country's 161,000 registered charities, was published yesterday.

There are, however, no sanctions to enforce compliance with the guidelines, which take the form of a statement of recommended practice from the Accounting Standards Committee (ASC).

The Charity Commission, which requests accounts from all registered charities, said that it would be unable to monitor compliance. It said a lack of resources already meant that it was unable to pursue the more than 140,000 charities each year which did not submit accounts.

Mr Fergus Falk, a partner at Touche Ross and chairman of the group that drew up the guidelines, said the guidance required charities for the first time to give a detailed description of the uses to which their funds would be put. Mr Falk said they should also show all incomes received during the year. Currently, many took part of their donations directly to their reserves, artificially depressing their reported income. This was meant to aid

fund-raising by making it look as though they were in greater need of donations.

The guidelines were intended to improve the comparability of charities' financial statements, and not to crack down on fraud, said Mr Michael Renshall, chairman of the ASC.

Reports by the National Audit Office and a Home Office team both concluded last year that the £10bn charity industry was inadequately controlled, with the NAO reporting "disturbing evidence" of fraud. Charities are not required by law to have their accounts audited.

# Reinsurance executive leads defection to rival

BY OUR FINANCIAL STAFF

LONDON-BASED E.W. Payne, the world's second biggest reinsurance broker, has lost one of its leading executives, Mr Colin Bryan, who is leading eight other employees in a defection to rival broker Nicholson Chamberlain and Collis.

E.W. Payne, which has more than 1,000 staff in London, had UK turnover of more than £80m in 1987 and forms one of the most highly profitable divisions of Sedgwick Group, the biggest UK-based insurance broker. Mr Bryan, one of the best-known figures in London reinsurance - was a close friend of Mr Jim Payne, E.W. Payne's chairman.

Mr Bryan and the other eight defectors all come from the company's non-marine division, which is best known for its role in arranging complex reinsurance programmes for big Lloyd's

of London syndicates. Known as London market excess-of-loss reinsurance, this type of business has traditionally been lucrative for brokers. It formed a core activity for E.W. Payne.

Mr Payne said he was "terribly disappointed" that Mr Bryan and his colleagues were leaving, but that their departures wouldn't damage E.W. Payne. One of the company's key strengths was in offering depth of after-sales service to clients and that would not suffer.

He added: "I am quite looking forward to the situation because it will give me a chance to get back in the market wearing out shoe-leather myself."

Nicholson Chamberlain and Collis was launched this spring by a group of former executives of Stewart Wrightson, the Lloyd's broker taken over last year by Willis Faber.

# Murdoch may move Sky to Luxembourg satellite

BY RAYMOND SNOODY

MR RUPERT MURDOCH, chairman of News International, is likely to move Sky, his general entertainment satellite channel, to Astra, the Luxembourg-based satellite due to be launched in November.

A final decision is expected to be taken by the Sky board next month.

The options under consideration include leasing as many as three channels from Astra, a medium power, 16-channel satellite, which can broadcast direct to individual homes as well as cable television networks across western Europe.

Apart from Sky, Mr Murdoch is interested in an Astra channel for Eurosport, the joint venture sports channel he plans with a number of Europe's public service broadcasters, including the BBC. A third Murdoch channel could be used either for a film

channel or, less likely, a news channel.

If Mr Murdoch formally decides to go on to Astra, it will be an important boost for the private sector satellite company behind the project, Société Européenne des Satellites. So far none of the UK programme providers whose channels are at present, like Sky, broadcast by low power telecommunications satellites has signed contracts with Astra.

Price is a major issue, although the annual cost of a 24 hour channel has already been cut from £4.5m to about £2m.

Support by Mr Murdoch could help to ensure that Astra becomes the "hot bird" satellite that all the programme providers have to be on.

Mr Pierre Meyrat, director general of SES would only say yesterday that he is negotiating with all the potential users of Astra.

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# NEC



ARTS

**Arts Week**  
 F | S | Su | M | Tu | W | Th  
 27 | 28 | 29 | 30 | 31 | 1 | 2

Exhibitions

LONDON

**The Royal Academy, Cézanne. The Early Years 1859-72.** A concentrated and illuminating study of the formative period of one of the greatest artists of the 19th century, who was also one of the great seminal figures of the modern movement. Ends August 21.

**The Royal Academy Summer Exhibition. The 125th Summer Exhibition** in an unbroken sequence and will be the largest Open Exhibition of current painting, sculpture, prints and architecture in the world. At 1281 exhibits chosen from a submission of something above 12,000, the show is a little smaller than usual, but it is as dense and bizarre as ever with as many good things to be discovered. Daily until August 7.

**Barbican Art Gallery, Art or Nature** - a thorough survey of French Photography in the 20th century as part of the "Images de France" Festival. The exhibition is especially strong in the attention it gives to the great individual photographers of the period, such as Cartier-Bresson, Brassai and Arget. Ends July 17.

**The Hayward Gallery, Two concurrent exhibitions: "Angry Penguins"** - a fascinating study of the group of young painters active in Melbourne during and just after the Second World War. Sydney Nolan, Arthur Boyd, John Perceval and Albert Tucker are all shown in impressive depth. Both shows until

August 14.

**British Museum, "Ukiyo-e"** - Images of Unknown Japan. This large exhibition of exquisite quality, brings to us, through the work of the greatest masters of the woodblock print, the magical "floating world" of pleasure and the senses that was the city of Edo (modern Tokyo). Until August 14.

NETHERLANDS

**Amsterdam, Tropenmuseum. The arts and crafts of Indonesia.** Illustrated with more than 800 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. Ends August 21.

PARIS

**Centre Georges Pompidou, Marc Chagall 46 images and 48 images and nearly all the illustrated books which have been given to the French state in lieu of death duties constitute a unique retrospective of Chagall's life and work. (62 77 12 23) Closed Tues. Ends June 5.**

**Galeries d'Art Saint Honoré.** A vast allegory of war and peace painted in the atelier of Hans Brueghel the elder forms a striking centerpiece of an exhibition of Flemish masterpieces. 267, rue Saint-Honoré (4861150). Ends June 15. Closed Sat, Sun, and lunchtimes.

VIENNA

**Historisches Museum, Karlplatz.** The cultural legacy of Vienna's Jews which has been preserved by Max Berger, makes up this large exhibition which conveys the sense of loss as much as the community's artistic richness. Ends June 5.

NEW YORK

**American Craft Museum.** An exhibition show that traces the history of American architecture back to the turn of the century and emphasizes the work of artists like Tiffany, Loris and Louise Nevelson who were commissioned to add art to the architecture. Ends Sept 4.

WASHINGTON

**National Gallery.** The human figure in early Greek art in the subject of 67 sculptures and painted pottery dating in the 9th and 8th centuries BC with subtitled stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

WEST GERMANY

**Venice, Palazzo Grassi.** The Phoenix: The fourth major exhibition at Fiat's imposing art centre on the Grand Canal attempts to give a complete picture of this extraordinary people, about whom few know much, who dominated trade in the Mediterranean for over 1000 years before their capital Carthage, was finally destroyed by the Romans in 146 BC. (Until Nov 6).

CHICAGO

**Art Institute.** A contemporary retrospective of the work of Georgia O'Keefe and skulls in the human light of New Mexico. Ends June 26.

TOKYO

**Tokyo Metropolitan Art Museum.** Dena, Japan in the 1920s. Over 400 works (paintings, photographs, architectural designs, stage sets) tracing cultural and artistic developments in and around the seminal decade when Japan first emerged as an industrial giant. Closed Mondays. Ends June 5.

LONDON

**London Symphony Orchestra.** Conducted by Yan Pascal Tortelier with Cécile Ousset, piano; Maria Ewing, soprano and Les Arts Florissants, director William Christie. Royal Gala concert: Chopin, Chausson, Lully, Ravel. Barbican Hall (Tue) (888 8881).

VIENNA

**Vienna Philharmonic.** Conducted by Christoph von Dohanyi: Webern, Brahms, Schoenberg, Mozartveitn. (Fri) (85 81 50).

WEST GERMANY

**Frankfurt Stadelches Kunststiftung.** Georg Baselitz. To commemorate the 50th birthday of the Berlin painter the museum is showing 150 paintings and 30 pictures covering the period 1969-1984, and 17 woodcut prints from the last 10 years. Durerstr. 2. Ends Aug 17.

CHICAGO

**Chicago Brilliant Chamber Players.** V. Reynolds, Beethoven, Schubert (Wed) (858 2284, CC 240 9851).

NETHERLANDS

**Amsterdam, Concertgebouw.** Finale of the Fourth European competition for young musicians (Tue) (718 345).

WASHINGTON

**National Symphony.** Matvey Brodsky conducting with the Orchestra of Washington directed by Robert Shaw. Mahler (Thurs) Kennedy Center Concert Hall (844 5748).

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**Amsterdam, Concertgebouw.** The English-Speaking Theatre of Amsterdam continues its 10th anniversary season with a new play: Svante's American Gothic directed by the author, a macabre comedy about a family's reactions to the arrival of a new member, intelligently into a famous comic-book book (Fri, Sat) and Bristol City by David Williamson, a humorous look at the suburban world of Sydney's high-fliers (Wed, Thurs) (24 33 11).

TOKYO

**Opera-as-uo Kaita (Nissai Theatre)** better known as The Phantom of the Opera. Andrew Lloyd Webber's latest smash-hit arrives in Japan in a production by Harold Prince for the Shiki Theatre Company which years ago updated the musical genre with its backstage story in

Music

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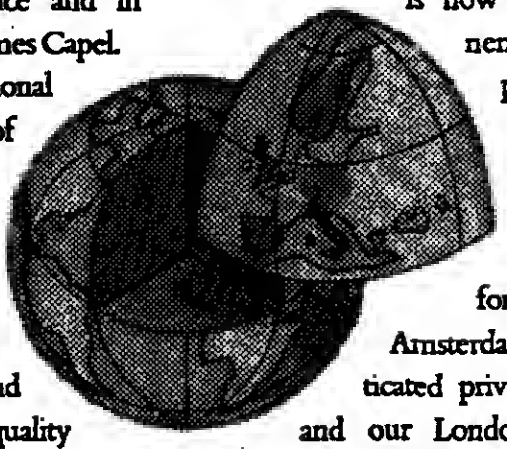
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COMMERZBANK

PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 26th May, 1988 a Dividend for the year ended 31st December, 1987 will be paid, as from 27th May, 1988 at the rate of DM. 9.00 per share of DM. 50 nominal, against presentation of Coupon No. 48 or lodgement of London Deposit Certificates for marking Square No. 11.

Holders of Profit Sharing Certificates are entitled to a distribution equivalent to 8.75 per cent per annum for the year ended 31st December, 1987 and will receive DM. 7.15 for each DM. 100 nominal held against presentation of Coupon No. 3.

All payments will be subject to a deduction of German Capital Yields Tax at 25%. Coupons and London Deposit Certificates should be lodged with:- S.G. WARBURG & CO. LTD. Paying Agency, 6th Floor, 1 Finsbury Avenue, London EC2M 2PA

from whom appropriate claim forms can be obtained. Coupons may also be lodged with:- COMMERZBANK A.G., London Branch, 10/11 Austin Friars, London EC2P 2JD.

Coupons will be paid at the rate of exchange on the day of presentation. Payment in respect of London Deposit Certificates will be made at the rate of exchange ruling on the day of receipt of the dividend on the equivalent shares deposited in Germany.

United Kingdom Income Tax will be deducted at the rate of 10% unless claims are accompanied by an affidavit. German Capital Yields Tax deducted in excess of 15% is recoverable by United Kingdom residents. The Company's United Kingdom Paying Agent will, upon request, provide shareholders or their agents with the appropriate form for such recovery.

27th May, 1988 COMMERZBANK AKTIENGESELLSCHAFT

U.S. \$150,000,000 Canadian Imperial Bank of Commerce (A Canadian Chartered Bank)

Floating Rate Deposit Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from February 29, 1988 to May 31, 1988 the rate for the final interest sub-period from May 28, 1988 to May 31, 1988 has been determined at 7 7/8% per annum, and therefore the amount of interest payable against Coupon No. 15 or per U.S. \$100,000 nominal in registered form, on the relevant interest payment date May 31, 1988 will be U.S. \$180.91.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

May 27, 1988



ARTS

Cinema/Ann Totterdell

Rendez-vous with death

Siesta (18) Chelsea Cinema Appointment with Death (PG) Canon Haymarket, Canon Shaftesbury Avenue...

They say that when you drown your whole life flashes before you. Why no one claims this happens with other forms of death is not clear; perhaps drowning is a particularly leisurely process...

the film grips the attention to the end because it deals with a subject - death - very few American directors (Woody Allen, Bob Fosse) have had the courage to address without sentiment.

Almost as big a question as who jumped off grasping widow Emily Boynton (Piper Laurie) in Appointment with Death is why she would bother to spend her ill-gotten gains on taking her resentfully dependent family on an expensive trip to the Holy Land.

There is a familiar assembly of characters played by Carrie Fisher, Lauren Bacall, John Gielgud, David Soul, Hayley Mills and Jenny Seagrove in this one. Michael Winner does not dwell on this. In fact he does not dwell on anything much, tearing through the story at breakneck speed and completely neglecting to establish tension or period (Palestine 1937) atmosphere.

In The Whales of August there is an abundance of national expectation and characterisation in search of a fragile theme: not death, not just yet, but evolving personalities. Even old people grow. The film covers a couple of days in the life of two widowed sisters played by Lillian Gish and Bette Davis...

but they've seen too many years together to part now. Though Davis has the more emotionally vigorous part as a blind disappointed woman dependent on her frail sister, the exquisite Lillian Gish is the heart of the film. Dusting her dead husband's photograph, pottering about her kitchen, fielding Davis's sniping remarks, she always retains gentle control of the situation and the film. Only the power and beauty of the ocean around the Maine island where they live can eclipse her, eternally washing in and out but no longer delivering the whales who need to appear as a summer landmark in their youth.

A sort of On Golden Pond without the fireworks. Lindsay Anderson's direction is tranquil and assured. Probably he knew what he was constructing was less of a film than a monument, but monuments have their place and this one is very pleasing.

Two characters thrown together in less serene circumstances are Steven Martin and John Candy in Planes, Trains and Automobiles, when the plane that should have got Steve Martin home for Thanksgiving is first delayed, then diverted. But the nightmare does not really begin until Martin, in an unusually restrained role as the fastidious Neal Page, finds himself at the mercy of ebullient fellow traveller Del Griffiths (John Candy) who has a coarse remark for every occasion and an unflinching confidence in his face of constant disaster in the ability to get Neal home in time.

As they skirt round delicate problems like sharing the same motel room bed, driving a burnt out car that is almost melting, or innocently speeding the wrong way up a highway, Martin and Candy work their way with painful hilarity through every variation of the nightmare. One particular moment, when Martin is stranded in a hired car lot surrounded by acres of cars - every car in the world, it seems, except the one for which he has been issued a key - perfectly captures the impotent frustration of administration gone wrong.



Lillian Gish in "The Whales of August"

teen loosens up and relentlessly cheerful Candy opens up. The experience is as maturing for them as for the teenagers in detention in The Breakfast Club. Machinery may fall them, but human warmth does not. There is a bit too much warmth in A Tiger's Tale, a film so desperate for attention that it throws in a real tiger and a boat constructor as supporting actors in case the central story of a teenage boy in love with an older woman (C Thomas Howell and Ann-Margret) fails to hold the attention. In between skittish frolics - apparently no one thinks it remarkable to see the couple out running with a pet tiger - there is much sentimentality and freedom and responsibility, especially when she gets pregnant. Since the parent figures are barely more mature than the kids this does not get anyone very far. And only the tiger retains any kind of dignity.

The teenage problems in Can't Buy Me Love are in more familiar territory. Ronald Miller is a swot and a wimp - no style, no status - but he yearns to belong to his

high school jet set. Working on the premise that you are who you know he makes the most of an unexpected opportunity to bribe one of the most popular girls in his class to pretend to be his girlfriend for a month. At the end of that period he expects to have gained credibility with her friends and a permanent niche with the in-crowd. It all works surprisingly well and ugly duckling Ron is transformed by Cindy (Amanda Peterson) into a confident, stylish swot. But Cindy, a girl whose way with her mother's credit cards makes a cast from case for school uniforms all on its own, in keeping her part of the bargain and defending his gaudiness learns more about human nature than he does. At the end of the month the class princess is unimpressed and the nerd has turned into an over-confident moose. The obligatory moral point comes, and the mood flags momentarily while Ron learns that you must unto this own self be true. Nevertheless the film's vitality, and Patrick Dempsey's endearing performance as Ronald, make it one of the most entertaining comedies about peer group pressure since Grease.

Hamlet/Birmingham Rep

Michael Coveney

The Renaissance Theatre Company of Kenneth Branagh and David Parfitt has now added Hamlet to its triumphant little sell-out season in the black hole of the Birmingham Rep's studio theatre. On to proper venues next month, starting with weeks at the Belfast Opera House, Dublin Gaiety, and Theatre Royal in Bath and Brighton.

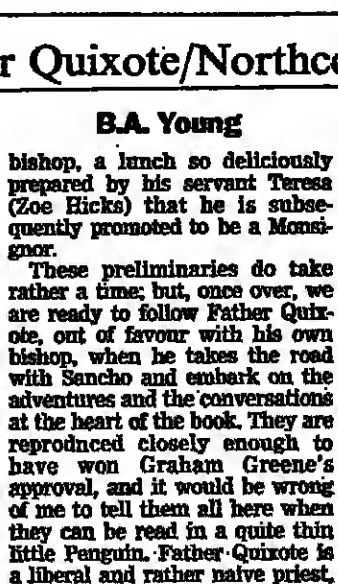
Kenneth Branagh's Hamlet, directed by a notably quick and tender Prince of York, Derek Jacobi, was always going to be interesting. How was an actor so definite and imaginative to convey the curious frozen inactivity of the tortured avenger. The simple answer is that, having decided to step outside of the political system, Branagh's Dane finds plenty of outlets for his surplus energy. He puts on plays, he builds a cunning machine, and toys with those around him like a puppet master.

The result is a Hamlet of unusual power and individuality, no whit a moping poet or a weeping mother-treated neurotic. It means what he says when he reminds Horatio he's feigning madness. He does indeed lose all his mirth in the slow resolve of his interventions. He writes in anguish at the recorded voice of the Ghost. To be on top of it, he delivers not for the first time, to the attendant Ophelia. He thinks, as he acts, out loud, and in public.

This is a perfectly valid way of treating the play and it is cleverly supported with a consciously theatrical Edwardian setting. Richard Easton's lip-smacking Claudius turns up for a good night out in white tie and tails and is entertained with offensively pertinent distractions. The upper level of a steel gantry, well used for "Now might I do it, past that cursed black, four great swishing red plush curtains, a battery of footlights divide us from the actors. One of these lights is the subject of a wrestling match between Claudius and Hamlet when the new cautious reign stops play.

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Branagh's Hamlet is steely, decisive and charismatic. But at one remove from everyone else. He is undergoing a sea change, causing havoc. The crew will witness to his plight in the final bespectacled academic Horatio of Richard Clifford. The stunning Ophelia of Sophie Thompson is the mind overthrown, her speech



Sophie Thompson

In the mummy scene transposed to give her a first half close of great poignancy. But it is typical of this vigorous reading that Miss Thompson, who to start with, hair piled up, resembles pictures of the young Ellen Terry, does not dwindle. Ellen Terry, does not dwindle. Ellen Terry, does not dwindle. Ellen Terry, does not dwindle.

With judicious cutting and interweaving, the play goes quickly at just over three hours, but the effect is one of coherence in the intimations of mortality. Branagh smuggles Yorick's skull back to the court, and goes leaping to the court, and goes leaping to the court, and goes leaping to the court.

Letters and messages abound in this play, and someone is always handing on an envelope, something I had never noticed quite so much before. Hamlet, understandingly, ends up with scant regard for the mail system. Branagh's Hamlet is not a drop-out, or a disaffected yuppie. He remembers his texts and his philosophy very well. He finds reality in the life of the mind, his own, that only other people believe to be hallucinations. The script's interpretation is fresh, original and compulsively memorable.

Monsignor Quixote/Northcott, Exeter

B.A. Young

Graham Greene's book has been adapted for the theatre by Christopher Fitch, who has already filmed it, and is given its world premiere as part of the Exeter Festival. It will please devotees of the book (I am one) for its truthful presentation of both the movement and the conversation, which proves highly stageworthy; and this truth is an unexpected bonus. Deprived of the drive through Spain, what remains, one might say, but endless exchanges of talk, much of it concerned with details of Roman Catholic practice and belief?

bishop, a lunch so deliciously prepared by his servant Teresa (Zoe Fitch) that he is subsequently promoted to be a Monsignor. These preliminaries do take rather a time; but, once over, we are ready to follow Father Quixote, out of favour with his own bishop, when he takes the road with Sancho and embark on the adventures and the conversation at the heart of the book. They are reproduced closely enough to have won Graham Greene's approval, and it would be wrong of me to tell them all here when they can be read in a quite thin little Penguin. Father Quixote is a liberal and rather naive priest, and Sancho is the Communist ex-mayor of El Toboso, so they have a good many opinions to exchange.

wounded rubber, a visit to a porn-film when the Monsignor misunderstands its title, "The Maiden's Prayer"; a confrontation with a greedy priest who auctions his Virgin to the highest bidder to lead in his festive procession. Peter Halliday and James Ellis, who are seldom off the stage for a moment, give performances that are at once comic and moving. Mr Halliday, who has to say a final Mass in his sleep, gives it a remarkable blend of delusion and devotion. Indeed it is all done with the kind of everyday devotion that the writing calls for. A cast of 12 plays 95 parts with a notable attention to detail, however apparently unimportant their actions, and a succession of modest but sometimes impressive scenes designed by Sean Cavanagh gives a happily extravagant look. The production has been generously sponsored by Stephens and Scown, solicitors, in association with the Exeter Festival.

The first Erik Bruhn Prize for young dancers

This seems to be the season for new and Danish-inspired dance prizes. After the Hans Andersen Awards in Copenhagen, the National Ballet of Canada has just initiated the Erik Bruhn Prize for young dancers, with a gala in Toronto's O'Keefe Centre. Shortly before his death two years ago, Erik Bruhn, then director of the National Ballet of Canada, decided to fund a prize for young dancers from four of the companies with whom he had been associated during his illustrious career: the Royal Danish Ballet, American Ballet Theatre, our own Royal Ballet, and the National Ballet of Canada. Each would enter a male and female dancer, between the ages of 18 and 25, to compete for the laurels of "best" performer, the judges being nominees of the competing troupes.

and judges, and there are no eliminations round the dancers we see on the night of the gala are those selected by their parent troupes, and the prize is bestowed on the evidence of this single performance in a "classical" and a "modern" section. The fascination for the audience, as for the judges, is in the evidence of national expectation from the dancers and, not least, in variety of style. As the evening progressed, these became clear, as did the importance of well-chosen choreography. The opening couple, Canada's Martine Lamy and Owen Montague, were sincere performers, but not helped in any way by their choice of material: the added "Black Swan" duet from Bruhn's idiosyncratic version of Swan Lake, and by solos which did not give their skills full reign.

physical abandon. While we awaited the judges' decisions - the immediacy of the evening was part of its excitement - Natalya Makarova showed us a lambent white Swan pas de deux with Kevin McKenzie, the dance singing with Chalkovsky's voice, and then convulsed the audience by recounting three disastrous evenings she had known on stage, when the parrot-dance in La Bayadere, a recalcitrant trap-door, and a crinoline skirt with its own sense of purpose, were part of a rich fabric of theatrical mayhem.

The contest has been announced as annual. I am inclined to the belief that a yearly jamboree will debauch the currency of the prize: far better to make it more rare and more valuable. An incidental pleasure of the week-end was a performance of Oegin by the National Ballet. Their account of Cranko's text is lively, and physically distinguished, with Jeremy Ransome as sensitive Lenaxky and Cynthia Lucas a pretty Olga. The inspiration behind the evening was, though, Makarova's Tatyana, tempest-tossed in the arms of Peter Breuer's brooding Oegin. Makarova's range is amazing in this role: an arm simply extended, making Olga to take a look, a whirlwind pirouette, the flood of feeling as she pulls away from Oegin (an amazing image to suggest how the mature Tatyana fights against the emotions of past years), are apart of a portrayal, broadly speaking, in to pool experience and creativity into the

and judges, and there are no eliminations round the dancers we see on the night of the gala are those selected by their parent troupes, and the prize is bestowed on the evidence of this single performance in a "classical" and a "modern" section. The fascination for the audience, as for the judges, is in the evidence of national expectation from the dancers and, not least, in variety of style. As the evening progressed, these became clear, as did the importance of well-chosen choreography. The opening couple, Canada's Martine Lamy and Owen Montague, were sincere performers, but not helped in any way by their choice of material: the added "Black Swan" duet from Bruhn's idiosyncratic version of Swan Lake, and by solos which did not give their skills full reign.

Nominatae Filiae/ICA

Claire Armitstead

The rescue of women from the male imagination has become an almost obsessive preoccupation of the latterday women's movement. In this instance a Cardiff-based project under Polish direction, acts about the task with the high seriousness of knights in pursuit of the Holy Grail. That they will fail to complete their mission is part of the tradition; the pursuit is all.

search for themes and variations that are uniquely female. The first hurdle, which has yet to be successfully negotiated, is to find a language for the undertaking. Here is a piece rich with cultural resonance, which would seem in its own terms to be a merely accessible to the main masses. We are presented with a woman artist painting at the turn of the century, from whose palette drip-dyeing swans, maddreses and martyrs who speak in many tongues and idioms but who are historically cloaked by male stereotypes and misconceptions a state symbolised by a profusion of picture frames.

self again and again to the floor. It is only at the very end of the reverie that the archetypes gather behind the largest of the picture frames and collectively glare their way out. This single, barbaric concept gives a sudden, breathtaking coherence to a tapestry of images that is stitched together by director Zofia Kieluska in patterns that become increasingly wild. The colouring of the work is a (dare one say it?) love-escape profusion of scarlets, whites and blacks, which build into a tableau vivant of martyrdom, fascinating if only because of the insight it affords into the androgyny of religious iconography. The naked, gaunt-faced and martyred woman (dare one say it?) before pictures that poor, pretty St Sebastian, while the sex of an angel is anyone's guess (here, it is a playfully vain girl cherub in search of a starring role). It is the power of the piece to provoke such reflections that is its chief achievement.

Saleroom/Antony Thorncroft

Wreck hopes sunk

Sales of treasures retrieved from the deep may capture the public imagination but this does not always lead to expensive bidding. Sotheby's made a great fuss about its auction of artifacts from the Mirnia, which was sunk by a German U boat off the Devon coast in 1917, considerably discomforting Lord Carmichael, the returning Governor of Bengal, causing him to lose the collection of oriental works of art that he was bringing home. The vessel has been excavated by a Danish company, which invested £1m in the salvage operation. The sale yesterday produced just £24,692 towards its costs in the Billingham auction room, underlining just how hazardous such exercises can be.

Sotheby's is having a cracking week of sales in New York which makes the poor investor response to its recent share offering all the more bewildering. On Wednesday it sold American pictures for \$11,869,967 (\$22,251,360) with only 9 per cent unsold. This suggests that Americans have not completely deserted the auction houses. The top price was the \$1,109,591 paid for a portrait by Mary Cassatt of Madame de Fleury and her child, painted in 1890. It was one of the few occasions on which Cassatt secured a real maternal group for her mother and child paintings. The price was over three times the estimate.

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Dairy Farm International Holdings Limited (Incorporated in Bermuda) 200,000 Convertible Cumulative Preference Shares Available in the form of International Depositary Receipts

Arts Guide May 27-June 2 LONDON Royal Opera (Covent Garden) For what may be her farewell appearance here, Joan Sutherland leads a new production of Donizetti's Anna Bolena by John Pascoe. Richard Bonynge conducts, and the cast also includes Suzanne Mener, Dinaia Kavrakis, and John Aler. It is hoped John Vickers, ill for the opening performances of the Peter Grimes revival, will this week be returning to the house.

THE BEST OF TASTE: MIX A BEEFEATER COLLINS Take a large measure of Beefeater Gin and add it to the juice of a freshly squeezed lemon and one teaspoonful of sugar. Pour into the tallest glass you can find, add chilled soda water and don't forget the ice. Add a dash of Angostura Bitters, stir (slightly) and serve with a slice of lemon. Cheers! For a recipe booklet which further demonstrates the excellence and versatility of Beefeater Gin, why not write to: James Burrough, Beefeater House, Montford Place, Kensington Lane, London SE11 5DF, England.



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## Realism at the summit

THE IMMENSE media build-up which precedes all US-Soviet summits has proved to be very much a mixed blessing. It has the advantage of spurring on the two participants to reach agreements in important areas of East-West relations, but it can also distort the results. Both successes and failures tend to be exaggerated, leading sometimes, in the first case, to disappointments in the subsequent months and, in the second, to an unnecessary period of cool relations.

### Few fireworks

Officials in both Washington and Moscow have stressed that the world should not expect the fourth summit between the US and Soviet leaders to produce the same kind of fireworks as the last one in Washington in December 1987, when the INF treaty abolishing ground-based medium-range nuclear missiles was signed.

Indeed, it has been stated plainly that there will be no signature on this occasion of a treaty reducing by half the superpowers' arsenals of long-range strategic nuclear weapons, as was originally hoped. Though considerable progress has been made on the way to a Start treaty in the Geneva nuclear arms control negotiations, there is still disagreement on a number of vitally important issues. It would have been courting disaster to have attempted to rush through a highly complicated accord without a clear solution to such contentious problems as whether mobile land-based missiles should be permitted or whether the US should be allowed to deploy submarine-based cruise nuclear missiles.

The history of the INF agreement has proved to be a salutary lesson to both sides. Though it was negotiated down to the finest detail, its ratification has been held up in the US Senate for months due to objections to its verification and other provisions. Only an eleven-hour move to limit the debate on the treaty before the final vote may enable President Reagan and Mr Gorbachev to exchange the instruments of ratification in Moscow, and thus put a gloss on what is likely to be a meagre catalogue of arms control agreements.

It may be possible, as President Reagan has indicated, to reach a Start agreement before the end of the year, to be signed at a final summit before the US President leaves the White House. Yet it must be assumed that the Senate will be even more rigorous in its examination of the much more complicated verification provisions of a Start treaty than it was in the case of the INF agreement. Realistically, it is probable that ratification will have to await a new President.

### Durable improvement

However, summits should not be judged on immediate results alone. President Reagan's and Mr Gorbachev's main achievement is to have created an atmosphere of much greater mutual confidence between Washington and Moscow, which has permitted a genuine relaxation of East-West tensions. In the absence of such a regular exchange of views at the highest level, which gives a much needed political impulse to the solution of seemingly intractable problems, an INF agreement would probably not have been seen the light of day and the Soviet military withdrawal from Afghanistan might not be taking place.

What is important is that summits should be demystified. They should be seen not as providing instant panaceas, but as a continuing process for defusing US-Soviet and East-West tensions and for laying the foundations of a durable improvement in relations.

## Deficiencies of law making

THE USUAL complaints about the formalism, high costs and inaccessibility of the English judicial process have been overshadowed recently by the disharmony between judges about some basic principles of UK law and the consequent unpredictability of their decisions.

The rejection by the Court of Appeal of claims against member states of the insolvent International Tin Council is seen as a reversal of the generally accepted view that companies and partnerships can limit their liability towards creditors only when their limited liability is registered and shown on their letter-heads.

### Instability

Another decision, this time by the House of Lords, revealed an alarming instability of their Lordships' views on one of the fundamental features of the arbitration process. The judgment concerned the old problem of whether courts can strike off arbitrators left pending over the head of the defendant, like the sword of Damocles, by a plaintiff who remains inactive, sometimes for more than 10 years.

Some eight years ago, Lord Donaldson, Master of the Rolls, then a High Court judge, held that arbitration should be struck off in the same way as litigation would be under such circumstances. He was confirmed by the Denning Court of Appeal, but to the dismay of the business community this decision was reversed by the Law Lords in 1981.

Seven years later, in *Food Corporation of India*, the Law Lords now say that they were wrong to reverse Lord Denning. They suggest Parliament should undo their misjudgment - though it is difficult to understand why they could not do it themselves and reject the appeal on the facts, if they thought fit.

An alarming hesitation and lack of lucidity in the interpretation of statutory law - itself obscured enough - has been demonstrated by the courts in the industrially important copyright protection of spare parts. This was established by High Court decisions which experts, including leading judges, always considered to be a misunderstanding with absurd consequences.

Though provided with an opportunity to correct it in the *Levyland* case, the Law Lords only sidestepped it by inventing the "right to repairs".

In the *Lego* case, they have now weakened the spare parts copyright but left it to lower courts to interpret their judgment in a variety of ways. The resulting uncertainty stretches back to the past as the judgment is, of course, retroactive, as are all English judgments.

In the recent "equal pay" case, the Law Lords imposed stricter requirements on employers than could be assumed to exist either under UK statute or under European Community rules - and they did so again without limiting the retroactive effect of their judgment.

While so radical on equal pay, the Law Lords have proved to be extremely diffident in the *Amstrad* case, where they found it impossible to outlaw assistance by home copying, which, as they said, run into millions. Instead they appealed to Parliament that "law which is treated with such contempt should be amended or repealed".

If other professionals operated in this way, they would expose themselves to malpractice suits. In the case of judges, one must seek remedies on a higher plane. First, there seems to be an urgent need for a clear statement of the rules of interpretation which would reduce the influence of personal idiosyncrasies.

Second, when judges upset legitimate expectations created by their previous decisions - and this, as the Law Society points out in its just published report on tax law, is a frequent occurrence - they should limit the retrospective effect of their judgments, as US courts and the European Court do without hesitation.

And finally, there is obviously need for a much greater and faster legislative intervention in business law. This would be possible if politically uncontroversial matters, as for example arbitration procedure, could be processed by a Select Committee of both Houses of Parliament and treated as a bipartisan legislative project.

Retrospective effect

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Stewart Fleming and Quentin Peel look at the forces that have pushed the superpowers together

# Closer than ever before



THE MOSCOW SUMMIT, which starts on Sunday, runs the risk of being seen as essentially symbolic. It lacks the dramatic centrepiece provided by the signing of the Intermediate Nuclear Forces (INF) treaty in Washington in December or the dramatic discussions at Reykjavik a year earlier. But the fact that the summit is being held without a substantial agreement to sign - on strategic nuclear arms cuts, for example, or resolving some issue of regional contention - underlines its importance as part of a remarkable new process of regular consultations between Moscow and Washington.

In the two-and-a-half years since President Ronald Reagan first met the Soviet leader, Mikhail Gorbachev, at the Geneva summit in 1985, the two superpowers, while not abandoning their visceral hostility, have entered into a more businesslike relationship than at any time since the Second World War. "I think you are seeing a degree of engagement on a range of issues such as we have not had before," says Mr Helmut Sonnenfeldt, a former top State Department official whose summit experience stretched from the Eisenhower to the Ford presidencies.

"There is really nothing that is off the agenda, whereas we, in our period of doing this, found there were some areas that were fenced in. On human rights issues... for example, we could leave papers on the table that were picked up by unseen hands at the end of the meeting, and we could talk about individual cases. But it was just not possible to talk about religion or psychiatric wards or all the other issues that are being talked about today."

In Moscow, Mr Georgy Arbatov, Director of the Academy of Sciences Institute of US and Canadian Studies, makes a similar comparison with the past: "Previously, our goals were more limited... to lessen tension. Now we have the possibility to move towards demilitarisation in Soviet-American relations, to remove the infrastructure of the Cold War."

Not only is it the fourth summit since 1985, but since then the two chief diplomats, Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, have met no less than 26 times for substantive talks. At lower levels, a whole host of government officials, businessmen, journalists, academics, scientists, actors and writers and musicians, not to mention plain citizens, have stepped up their contacts in a flurry of mutual exploration and discovery.

This depth, range and continuity of negotiations mark a maturing and normalisation of superpower relations. "It is no longer a process of *détente* between ideologically different countries but a process of negotiation between great powers," says Mr John Hart, Associate Director of the Congressional Research Service.

The improvement of relations has been helped by the behaviour of the two countries' leaders. Mr Gorbachev has proved more radical and Mr Reagan more pragmatic than might have been expected. And in Washington the departure from the Administration of hard liners such as Defence Secretary Casper Weinberger has left another pragmatist - Mr Shultz - in charge of foreign policy.

But beyond such short term influences there are longer term pressures on the two nations which are encouraging them to seek a more stable *modus vivendi*.

Mr Gorbachev, for example, "needs to have an international climate which is demonstrably relatively stable and get-

ting better, as a backdrop against which he can push through this crucial stage of *perestroika*," according to one seasoned foreign observer in Moscow. "When superpower relations are bad, there tends to be a total closing of ranks internally, in order to give the enemy no encouragement."

"It is only against a stable background that Gorbachev can afford the degree of relaxation in control of information that he is now indulging in."

The ambitions of peace and nuclear disarmament are genuinely popular with the Soviet people. And the stature Mr Gorbachev gains from the summitry undoubtedly gives him protection from possible domestic criticism. Smiling photographs of Mr Gorbachev and Mr Reagan can only enhance the prestige of the Communist Party General Secretary, at a time when there is no obvious successor in sight, even including his rumoured rival and deputy, Mr Yegor Ligachev.

All these are benefits Mr Gorbachev can hope to gain from the maturing of the relationship with the US. But he must face some risks in the process.

One intangible risk is the extent to which the whole process of exposing the West in general, and the US in particular, as something less than the epitome of evil will raise expectations which cannot be fulfilled. Given the slow progress of *perestroika* in boosting economic growth, raising quality standards, and producing more goods in the shops of the West, living standards on the television, in occasional advertisements, in Western fashion magazines and films, must be frustrating.

The failure of *perestroika* to improve the supply of food and consumer products in the shops - heightened by a sugar shortage caused largely by an upsurge in the home-brewing of vodka in conditions of semi-prohibition - has caused an agony of soul-searching. The

upheaval in the lives of ordinary workers forced to change their cosy jobs and working habits, the psychological onslaught of daily revelations about the ineptitudes of former regimes, all serve to create a climate of confusion.

The Soviet Union is currently far more concerned with this internal upheaval - the process of economic reform in the workplace, political reform in the ruling Communist Party, and most noticeable of all, a positive torrent of discussion and debate in the media on every subject from the crimes of Stalin's dictatorship to the inefficiency of the Soviet telephone system - than with foreign affairs.

The danger is that the complexities of international diplomacy, of master-

### The United States, like the Soviet Union, senses that its commitments have begun to exceed its resources

ing the intricacies of strategic arms limitation, the Middle East and the like, will distract Mr Gorbachev at an extraordinarily difficult time for internal party politics.

The fact that Mr Gorbachev's draft law on co-operatives - a key part of his attempts to galvanise economic activity - was not rubber-stamped this week in the Supreme Soviet is just one vivid illustration of why he cannot afford to drop his guard.

He is not alone, however, in needing to balance the attention given to foreign affairs with the need to address domestic economic issues. There are economic pressures on the United States, as well.

The drastic restructuring needed to transform the Soviet Union into a modern advanced industrial state, is not, of course, comparable with the economic issues surfacing in the American election campaign. But economic pressures are encouraging American policy makers to hope for a breathing space during which the intensity of competition with the Soviet Union can be lessened and greater emphasis put on exploring opportunities where their interests may coincide - on arms control, for example, or containing regional conflicts in areas like southern Africa.

"Security has a lot more to do with economic capacity and our status in the international economy than we have acknowledged. We have defined it rather too narrowly in many of these debates," says Mr John Steinbrunner, Director of Foreign Policy Studies at the Brookings Institution, a Washington think tank.

This is a judgment which is shared increasingly even by many of those who were once the staunchest advocates of President Ronald Reagan's \$3 trillion (million million) military build-up.

Politicians on both sides of the political fence are concluding that the military strengthening has been accompanied by a weakening of the manufacturing and financial base of the country. The US is suffering, on this view, from under-investment both of cash and political capital in improving the competitiveness of domestic industry and in the nation's human resources (for example, in education).

Economic uncertainties abound: for example, the dependence on foreign investors to finance the current account deficit; or the restrictions that federal budget deficits impose on Washington's ability to respond to changing domestic and international priorities, civilian and military. This in turn is putting undesirable strains on relation-

ships among the Western allies, reflected in the US in the growth of protectionist sentiment and uneasiness with the sharing of the burden of Western defences.

The active search for allied support in sharing the economic burden of superpower status is the clearest indication that the US, like the Soviet Union, senses that its commitments have begun to exceed its resources.

Since 1985, US military spending adjusted for inflation has declined by around 10 per cent. But the Pentagon's plans have not yet adjusted to the amount of money available.

"Even if military spending is held to the present level the next Administration will inherit a huge shortfall between the cost of currently planned defence programmes and the resources available to pay the bill," writes Mr Lawrence Korb and Mr Stephen Duggett in a new Committee for National Security study of the military budget. "The 1988 budget request put in by Mr Frank Carlucci, the Defence Secretary - the most modest defence request of the Reagan era - represents the beginnings of a painful retrenchment, they suggest. Some fear it could mark the beginning of another of the drastic downturns in defence spending which have characterised the last 40 years."

The trend towards lower defence spending is facing the US military with harsh choices, which it must take into account in setting strategic priorities and in arms control negotiations with Moscow.

The Brookings Institution's Mr Steinbrunner argues that both sides are coming under similar pressures to cut their strategic nuclear arsenals. To up to 50 per cent cuts under discussion can be achieved, he maintains, without having any negative impact on either side's security. There is now, he argues, more security to be gained from regulating armaments than from technical advances.

It would be wrong, however, to suggest that a broad coincidence of interests gives an unerring inevitability to this new era of US/Soviet engagement.

In Washington, officials are eyeing Central Europe nervously, for a region which has given the world many worries in the past could once again be a source of unpredictable tensions. Thus, paradoxically, the emergence of trends towards liberalisation in Eastern Europe - something that from Washington's perspective could be labelled a success - might be a source of new tensions.

For Mr Gorbachev, the risks are greater. Yet he seems to have calculated that, for him, there is no alternative. Foreign policy successes may not win him the party conference support he needs to entrench *perestroika*, and June will be a long, hot struggle for the soul of the party. But without the summit he would be worse off, not better.

More than that, if he can prove to his domestic audience that there is a clear relationship between internal reform and external credibility, and that his advisers' claim that the summit will "bury the corpse of the cold war" is a reality, then he may yet win a few more sceptical hearts and minds for *perestroika*.

That inch-by-inch process of conversion is taking place in Washington, as well as Moscow. The deepening and widening of the relationship between the two nations reflects, perhaps most of all, the fact that more and more American policymakers are starting to see Mr Gorbachev, in Mrs Margaret Thatcher's words, as a man they can do business with.

## Currie for the LBS

The successor to Alan Budd at the London Business School is David Currie, presently head of the economics department at Queen Mary's College, London. News of the appointment drew general approval from City economists when it filtered through yesterday.

Budd takes over as economic adviser at Barclays on August 1 and Currie hopes to be installed at the LBS shortly after that. He will take over all Budd's old duties, including directing the School's Centre for Economic Forecasting.

The chief talking point is what sort of economist he is. Budd started as a monetarist, then partially recanted. Currie is variously described as a Keynesian, an unreconstructed Keynesian or a semi-reconstructed Keynesian, depending on which economist you speak to. All of them agree that he thinks the money supply is important in the formulation of economic policy.

Much of his recent work has been on the exchange rate and the setting of appropriate targets for economies suffering from external shocks. David Morrison of Goldman Sachs, who wrote the recent paper on sterling that sent the pound shooting up against the Dmark, describes him as one of the best of the modern academics.

Currie is 41. He took a first in maths at Manchester in 1963, a further degree in national economic planning at Birmingham and did his PhD at Queen Mary's College. He has advised the Treasury and the Bank of England and is currently a visiting consultant to the research department of the International Monetary Fund, where he was yesterday.

A question has been raised as to whether he can write the sort of English that non-economists can understand. One of his articles is called *Time inconsistency and optimal policies in*

## OBSERVER

deterministic and stochastic worlds. ("Stochastic," a word now rarely used, means pertaining to conjecture.) His admirers say that he will adapt - perhaps even to the simpler ways of economic journalism.

It was not held against Currie that he is presently an adviser to the Labour Party on economic policy. One of the candidates he defeated for the job was a Treasury official proposed by the Permanent Secretary.

### The roses arrive

Full marks to Felton's florists of Chesapeake and the new inter-flores service to Moscow. A "test" bouquet of pink roses were delivered to the wife of our Moscow Correspondent late yesterday afternoon. The £30 charge, including £10 for handling and VAT, left £20 which ran to seven pink roses, lots of greenery a ribbon, and two delivery women with beaming smiles.

### No chess queens

The provision of an international chess tournament to give 23-year-old Susan Arkell the opportunity to become Britain's first woman's international chess grandmaster has raised a few eyebrows at the scoring distinctions between male and female players.

Women need fewer points than men to achieve grandmaster status, but as a result have to live with the implication that they belong to the more stupid sex.

Arkell can live with this and puts it down herself to "probably something in the brain". The British chess grandmaster Ray Keene, who has organised the Watson, Farley and Williams international chess challenge at Minories House from today until June 7, feels that social conditions have more to do with the difference.

"In mixed schools girls are as



good as boys until they reach puberty, after which they tend to let the boys win."

That did not apply to the world's leading woman player, Maia Chiburdanidze who was beaten physically by her mother if she lost. She is still outside the top men's rankings and even in the Soviet Union, where chess coaching starts early, the men outperform the women.

Keene thinks that the different scoring structure is wrong and blames the indifference to change on a World Chess Federation "run by some extremely chauvinist third world patriotics".

Oonagh Whitty, a partner at Watson, Farley and Williams solicitors was surprised to hear of the scoring arrangements. As she pointed out, women solicitors on average achieve better law degrees than men and because of this have become highly prized in City firms.

### Fenchurch bets

The first bookmakers shop to be installed in a railway con-

course opens at Fenchurch Street Station next week. Station manager Wilfred Raleigh said he did not know whether the 33,000 daily commuters in his care were a gambling lot.

He thought it unlikely that the bookmakers would be taking wagers on the arrival of trains. His station, he said, had not been too badly affected by problems with the new South East network timetable, unlike Waterloo where the spate of guard throttlings is beginning to subside.

### Kensington shocks

The Parliamentary by-election in Kensington caused by the death of Sir Brandon Rhys Williams last week promises to be among the most famous ever fought, partly because of the nature of the constituency and partly because it will be the first this Parliament.

On Wednesday night the local Labour Party voted by a narrow majority to drop Ben Bousquet, its candidate at the last two general elections, in favour of Ann Holmes who stood in 1978. Bousquet is a moderate black whom the local organisation thought might not be able to stand up to the heat of national media coverage. Although Holmes stood for Calder Valley in the last general election, she has political roots as a councillor in the Kensington area.

Bousquet and Rhys Williams were good friends, often cooperating to forestall violence in a constituency where the Notting Hill carnival creates tensions as well as pleasure every summer. Both were resentful that their national party headquarters refused to recognise that Kensington was a potentially marginal seat at the last two general elections.

The centre parties have their own troubles. A spokesman for David Owen's SDP said yesterday that one of the four candidates hoping to be selected as its candidate is Tim Brittain-Catlin, nephew of Shirley Williams who is now in the Social and Liberal Democrats. The Tories have yet to make a choice.

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# FINANCIAL TIMES

Friday May 27 1988

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## Long Island \$5.3bn nuclear plant to be sold for \$1

BY RODERICK ORAM IN NEW YORK

A COMPLETED US nuclear power station is to be abandoned without being used, under an agreement in principle reached yesterday between New York State and Long Island Lighting Company (Lilco).

Years of public opposition to the \$5.3bn Shoreham plant, some 55 miles east of New York City, had prevented Lilco from getting an operating licence. The financial burden of the project has kept the utility teetering on the edge of bankruptcy since the early 1980s.

Several other US utilities became similarly burdened by

partially completed plants because of public concern in the wake of the Three Mile Island nuclear plant accident in 1979. Public Service of New Hampshire, which has a larger minority interest in the incomplete Seabrook power station, filed for bankruptcy earlier this year.

The tentative agreement between Lilco and New York State is seen as a potential public-private sector model to relieve other utilities of their plants to allow the companies to regain their financial health.

Lilco, which serves some 2m customers in eastern New York

City suburbs and the rest of Long Island, will sell Shoreham for \$1 to Long Island Power Authority, a state body set up last year to launch a full takeover bid for the utility.

LIPA in turn will contract with the New York Power Authority, a state-owned utility serving customers predominantly in the northern part of the state, either to mothball or dismantle Shoreham. Lilco will pay some \$400m of the decommissioning costs. There are no plans to convert the 330MW Shoreham plant to fossil-fuel.

NYP&A will take responsibility for building new generating plants on Long Island. Lilco will operate its existing plants, with 3,800MW of capacity, but will have to buy electricity to meet the demands of its growing customer base. Long Island faces the possibility of brown-outs (reduced voltages) and black-outs until new plants are built.

Shoreham, a General Electric plant, was first proposed in 1966. A construction permit was finally granted in 1973 when the plant's cost was estimated at \$600m. The project was plagued throughout

by cost overruns and mismanagement but it finally started up for low-power tests in August 1985.

It never entered service because of an effective campaign by local opponents who said that Long Island, linked only by bridges and ferries to New York and Connecticut, could never be safely evacuated if a nuclear disaster struck.

Many of the details of the Shoreham agreement have yet to be fleshed out. Lilco will, however, be allowed to recover some \$3.7bn of Shoreham's costs through rate increases of 4-5 per cent a year for the next 10 years.

## French interest rates edge downwards

By George Graham in Paris

THE BANK of France yesterday dropped its main money market interest rates by a quarter of a percentage point. The new intervention rate band of 7-7.5 per cent is at its lowest for two years.

The reduction was widely anticipated after a strong call for lower interest rates by Mr Pierre Berégovoy, the Finance Minister. But bankers were still impressed by the confidence shown by the move, coming only two weeks after Mr Michel Rocard's government took office and in spite of upward pressures on West German and US interest rates.

Mr Berégovoy yesterday described the interest reduction as "a signal of confidence in ourselves".

"If you reckon in terms of rules and tables you can always find a reason for not acting, but if you reckon in political terms, you can give the right signal."

However, the Bank of France simultaneously increased its obligatory reserve requirements, thus raising the cost of commercial bank funding. The central bank said the package was designed to leave "the global pressure" of monetary policy on the economy unchanged.

The combined effect of the measures is likely to lower financing costs for major companies, whose borrowings are often linked to money market rates. These rates are unlikely to be moved, however, leaving borrowing costs for small companies and consumers unchanged.

Far from its traditional devaluation, the French franc has strengthened against the D-Mark since the arrival of the Rocard government. It remained firm yesterday at 163.374, 0.33 per cent below its pivotal rate in the exchange rate mechanism of the European Monetary System.

Mr Berégovoy has made plain his opposition to a devaluation, and has insisted that the fight against inflation is his first priority. He believes, however, that French real interest rates are unnecessarily high.

Many financial market operators agree with his analysis. However, most believe that Mr Jacques de Larosière, governor of the Bank of France, was already unwilling to concede yesterday's interest rate cut - insisting on the counterbalancing increase in reserve requirements - and will fight a further reduction.

OECD underlines limits of monetary policy, Page 35

## US makes fresh effort to force Noriega into exile

BY LIONEL BARBER IN WASHINGTON

THE REAGAN Administration began a fresh effort yesterday to oust Panama's military strongman, General Manuel Noriega, by starting consultations with Latin American governments on ways of forcing him into exile.

Mr Elliott Abrams, State Department official for Latin American affairs, said US diplomats in the region were seeking advice on ways of getting rid of General Noriega following the collapse of direct talks with a US envoy in Panama late on Wednesday.

The switch to a multilateral approach on the Panama crisis suggests that the Administration wants to fend off criticism of its plan to drop drug trafficking charges against General Noriega in return for his agreement to go into exile.

The question is whether the collapse of direct talks amounts to a temporary setback or a definitive breakdown. From the Reagan Administration's viewpoint, General Noriega's failure to agree to a deal is, in the short-term at least, a tactical victory.

After two weeks of bruising criticism from Congressmen of both parties, mainly centring on

the dropping of Federal drug trafficking charges, officials can now say that Washington is adopting a tough line.

The Administration may have calculated that a fresh approach after a successful Moscow summit next week, can take place in a less highly charged atmosphere.

Significantly, Mr George Shultz, US Secretary of State, chose to publicise the terms of the package offered to General Noriega after talks broke down. That suggests that for all the reported divisions within the Administration, the deal's main provisions have the backing of the President.

They include the suspension of US economic sanctions against Panama, the creation of a government of national reconciliation as a prelude to free elections in May 1989, the restoration of civil rights for all Panamanians and a new law limiting the term of any Panamanian Defence Force commander to five years (which would allow General Noriega to step down on August 12). In return, the US would drop drug charges against the general, who would leave Panama in September until the May elections, except for a "brief family visit" at Christmas.

It is difficult to see what other options Washington can pursue, other than using a different mediator (a Latin American diplomat) or, more unlikely, military force to oust the general. The latter option would be opposed by the Pentagon and would be a risky and bloody proposition in an election year.

So why did General Noriega fail to sign off? The answer appears to lie in some key details such as the Administration's insistence on recognising the ousted Panamanian President Eric Delvalle rather than General Noriega's appointee, Mr Manuel Solis Palma. Equally, there appears to be some dispute over the timing of the various announcements paving the way to the May 1989 elections.

The question is whether these differences can now be resolved by a fresh US approach or through the mediation of a Latin American third party. Despite the cheering in Washington yesterday, the pressure for a clean and quick solution remains as strong as ever.

David and Goliath, Page 5

Hong Kong corruption probe by Peking

By David Dodwell in Hong Kong

A TEAM of Chinese economists is to be sent to Hong Kong to investigate allegations of corruption among Chinese companies operating in the British territory.

The investigation comes after a two-year period in which thousands of mainland companies have set up shop in Hong Kong, most of them operating as trade offices for Chinese provincial bodies or municipalities.

Together with longer-established mainland corporations, they account for investments totalling about US\$8bn, making China the biggest investor in Hong Kong by far.

More than 4,000 mainland officials are living in the territory on working visas, and it is widely known that there is extreme competition inside China to join the staff of these trading operations.

The investigating team, from Peking's Institute of Economics, will examine allegations that mainland companies have been channeling funds, have made questionable investments and that some of their staff have developed extravagant lifestyles.

Concern appears to focus on a number of dubious business practices - among them that of "shadow pricing" exports from China: products are priced artificially cheaply from China to Hong Kong, then higher from Hong Kong to their ultimate destination. This allows an enterprise to accumulate foreign exchange outside China where it can avoid Chinese tax and can be used for purposes that might not be officially approved of.

Mainland officials in Hong Kong have complained that there are amber to send the team. But yesterday Mr Tsui Sze-man, publisher of the monthly Mirror magazine, which has close access to Peking officials, said there were.

Mr Tsui is a delegate to the Chinese People's Political Consultative Conference (CPPCC). He recently aroused official concern by drawing public attention to alleged malpractices by mainland corporations active in Hong Kong.

Chinese officials in the New China News Agency, which acts as Peking's unofficial embassy in Hong Kong, insist that the problem is not big and argue that it would be unreasonable to expect there to be no examples of corruption or malpractice in such a large, and rapidly growing community of mainland officials.

## Rowntree rebuffs Suchard

Continued from Page 1

achieve market leadership in numerous individual countries.

"The combination of the two companies' brands, which are complementary, and their respective strengths in different geographical markets, will give the enlarged group a more complete product range and wider market coverage than any other confectionery business in the world," he said.

He claimed further that benefits of economies of scale in distribution and research and development would be greater than those arising if Nestlé were to win control.

He also said that he had suggested a link-up with Rowntree in 1984, and had over the last three years deliberately held itself back from competing with Rowntree in certain key European markets with the hope of forming an alliance with the UK company.

"If Nestlé wins control," he warned, "we will come in quickly with a range of products to challenge Rowntree's niche products."

Rowntree rebuffs Suchard

Mr Klaus Jacobs, Suchard chairman, who stressed that global size was not the main rationale behind the bid

Mr Kenneth Dixon, Rowntree chairman, discounted this threat and challenged Mr Jacobs' version of the meeting in 1984.

He said that the arguments advanced in the defence docu-



Mr Klaus Jacobs, Suchard chairman, who stressed that global size was not the main rationale behind the bid

## SEC seeks wider powers

BY JANET BUSH IN NEW YORK

THE US Securities and Exchange Commission yesterday voted to ask Congress to broaden substantially its power to halt securities trading during emergencies and to give it regulatory oversight over stock index futures.

In an open meeting at the SEC in Washington, the committee voted for the emergency trading power, but was split on the second with three votes for asking Congress for control over stock index futures and two against.

During the extensive discussions between regulators, exchanges and the Administration in the six months since the October stock market crash, the SEC has persistently argued for taking away control over stock index futures from the Commodity Futures Trading Commission,

which regulates futures and options markets.

The question of who should regulate stock index futures, futures contracts based on the major stock market indices such as the Standard & Poor's 500, has been one of the central issues dividing the SEC and the CFTC during the last six months with the SEC fiercely defending its right to regulate this area.

The working group set up by the Administration earlier this year to review possible legislation after the crash made no mention of this issue in its report last week, suggesting little support for the SEC's point of view.

The SEC already has power to halt trading in individual stocks; the CFTC already has the power to close down an entire futures exchange.

## Anti-dumping tax on Japan

Continued from Page 1

Japanese dot matrix printer imports rose from 800,000 units in 1983 - 49 per cent of the EC market - to 1.5m units or 73 per cent of the market in 1986, the Commission said. EC exports to Japan dwindled from 1,040 units to nothing over the same period.

The dumping margin, or gap between high Japanese and low EC prices, varied from 4.5 per cent for Tokyo Electric, to 86 per cent for Fujitsu between April 1986 and March last year, the period covered by the inquiry.

As a result, EC competitors were forced to slash prices.

The highest duty, 33.4 per cent, levied on the seven worst offenders, is the least Brussels reckons is needed to bring prices high enough to ensure EC producers earn a reasonable profit.

## Soviet reform proposals

Continued from Page 1

It spells out economic reforms still to be introduced, including the need to overhaul the banking and credit system and the heavily subsidised pricing system. However, it warns that "revision of retail prices must be done without detriment to the living standards of the population."

The central committee goes on: "Two to three years is not long enough to implement radical economic reform. The years of stagnation have put the country on the brink of an economic crisis."

The proposals call for urgent action to produce more food and consumer goods, to higher standards.

Specific proposals for internal party reform say that no party office holder shall serve more than two five-year terms, unless three quarters of the party committee, voting in a secret ballot, shall agree.

These also propose what the official Tass news agency described as "essential changes to the structure and size of the party apparatus."

On foreign policy, the document says that there are in the past, it says, "did not escape dogmatic and subjective attitudes. In our bid for military strategic parity we occasionally failed to use opportunities available to attain security for our nation by political means, and, as a result, allowed ourselves to be lured into an arms race which could not but affect this country's social and economic progress, and its standing on the international scene."

**WORLD WEATHER**

Area	Temp	Wind	Cloud	Vis	Area	Temp	Wind	Cloud	Vis
Algeria	18	10	B	10	London	15	12	B	10
Alexandria	22	10	B	10	Madrid	18	10	B	10
Amman	18	10	B	10	Moscow	12	10	B	10
Bahia	22	10	B	10	New York	18	10	B	10
Bangkok	28	10	B	10	Osaka	18	10	B	10
Bombay	28	10	B	10	Paris	15	12	B	10
Buenos Aires	18	10	B	10	Rome	18	10	B	10
Calcutta	28	10	B	10	Seoul	18	10	B	10
Cairo	22	10	B	10	Singapore	28	10	B	10
Cardiff	15	12	B	10	Sydney	18	10	B	10
Chennai	28	10	B	10	Taipei	18	10	B	10
Dhaka	28	10	B	10	Tokyo	18	10	B	10
Dublin	15	12	B	10	Washington	18	10	B	10
Hankow	18	10	B	10	Wellington	18	10	B	10
Hong Kong	28	10	B	10	Yokohama	18	10	B	10
Kobe	18	10	B	10					

## Texaco describes Icahn bid as a joke

Continued from Page 1

per cent holding in Texaco. KKR controls an equity fund of at least \$5bn for equity investment in takeovers and leveraged buy-outs. While KKR has denied concluding with Mr Icahn, it could well throw its massive financial weight behind him or another bidder in a takeover battle.

The most obvious way of financing a bid for Texaco would be through rapid asset disposals. Mr Icahn has also said that he plans an immediate sale of Texaco's 78 per cent interest in Texaco Canada plus its half-share in Caltex, a marketing joint venture with

Chevron covering Australasia and the Far East.

Husky Oil has publicly said that it would pay around \$2.5bn for Texaco Canada and the company has also had approaches from Mr Armand Hammer of Occidental Oil.

Above all of course, there is the value of Texaco's crude oil reserves and highly profitable US marketing network. Why then, is there so much scepticism about the possibility of a full bid from Mr Icahn or some other player?

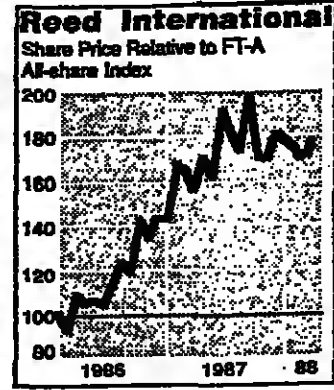
There are at least three major sets of legal hurdles. Like many other large US companies, Texaco has instituted poison pill arrangements which would have to be voided by a hostile bidder through months of costly and uncertain litigation. The company is also protected by the recently enacted Delaware state anti-takeover law.

Finally, the covenants agreed by Texaco with creditors when it emerged from bankruptcy last month amount to a huge potential obstacle to any highly leveraged takeover bid.

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## THE LEX COLUMN

# Reed cashes in its paper



Reed International's decision to turn itself into a pure publishing company is in one sense hard to argue with. Like Bowater before it, Reed is finally cutting itself loose from its origins in paper, unlike Bowater, it has a coherent alternative to turn to. There is, perhaps, a slightly modest feel to it all - the move away from the conglomerate image, the shift from capital intensive areas. But there is something in Reed's argument that its publishing business is so widely spread as to be diversified in itself; and in any case, having already split the group into two in operational terms, Reed had to go the whole hog or have someone else do the job for it.

Indeed, the company may still be in for a risky transitional phase. Whether or not it has publishing targets already lined up, there is bound to be some earnings dilution in the short term. As Reed itself has demonstrated with the purchase of Octopus, big publishers are wickedly expensive these days; and if the \$800m or so of cash were left in the bank, it would earn some \$20m less before tax than the companies being disposed of. Reed would be a highish month-end - its market value is \$2.5bn as it is - but a publishing business on a multiple of 13 with a net \$800m in the bank would have no shortage of takers.

Yesterday's reaction - the shares rose only 8p to 423p - suggests that the market had not only anticipated Reed's move, but had priced it accurately as well. This seems a little grudging, but perhaps it will take harder evidence of Reed's intentions before the market thinks again.

## Rowntree/Cadbury

Developments in the food sector are becoming ever more impenetrable. Suchard's motive in pitching its offer for Rowntree 50p below the market price is anybody's guess, as is the level of response which it will elicit from Nestlé. Meanwhile, General Cinema's announcement of \$1bn in fresh funds to buy Cadbury shares gives it scope more than double its present holding of 18 per cent. This could be a ploy to flush out a defender for Cadbury, such as Coca-Cola, but it is curious that fresh twists of the General Cinema knife are gener-

ally timed to coincide with developments in the Rowntree saga.

In Suchard's case, some elements of the game plan are becoming vaguely discernible. Coincidentally or not, its bid at 50p, if successful, would lead to Suchard taking out Rowntree at an average price of some 800p - the price of Nestlé's offer. Alternatively, Suchard insists that were Nestlé to win control, it would be worth hanging onto the 29.9 per cent minority. A further lever would be needed to turn that stake to account, perhaps in the form of a threat to aim competing products at areas of Rowntree strength - chocolate wafers, mints and so forth - which Suchard has hitherto left alone.

Amid all this, Rowntree's formal defence has been rather drowned out. In a sense, it is sadly irrelevant; the forecasts - 10 per cent more volume in Europe this year, further productivity gains in the UK - only underline its attractions. With neither bidder now in a position to buy in the market, there could be a hull for a while; but the game is not over yet.

## Texaco

The market thinks Mr Icahn can't be serious in his record-smashing bid for Texaco, and it is not hard to see why. It comes from a man who just hours before was trying to sell his stake in the company. It is only open for 48 hours, it appears to be contingent on the support of a board that is unlikely to grant it, it would involve the most daring financing package ever, it faces all manner of legal obstacles, and so on. In fact the whole thing is so outrageous that in order to

give the deal any credibility at all, Mr Icahn has had to bet Texaco \$100m that he can find the money.

Despite such overpowering evidence, to interpret the deal as bluff may miss the simple ingenuity. Perhaps the bid is just a way of propping up the share price, or a threat to make Texaco drop its law suit against Icahn; more likely, though, it is for real. By offering \$60 a share - a full price on almost any reading - Icahn is telling the board either to give up or to come up with something better. At the same time, by extending an offer to everyone, Icahn has killed the image of himself as an ugly greenmailer. Either way he wins: if the bid "succeeds" there are enough enthusiastic buyers for some of Texaco's assets to make the numbers work, and if it "fails" a potential profit of well over the present \$350m would be ample compensation.

Texaco, meanwhile, is in an impossible position, with the intolerable prospect of being owned by Icahn balanced by the apparent absence of any alternative to show its shareholders. And since arms and opportunities dominate its register, a long term restructuring programme is not likely to secure independence for Texaco the way it did for USX last year.

## Plessey

Getting to the other side of a profits plateau may be the sort of challenge a manager relishes, but it is a desperately boring business for shareholders. And no matter how much Plessey stresses the attractions of a \$1.7bn year-end order book (swollen in any case by acquisition), plateau is still the word which comes to mind. Yesterday's reported 1.2 per cent decline in earnings per share before extraordinary items was scarcely the stuff to inspire a dull share price, and expectations of a miserly two or three per cent rise for the current year had a similar effect. And although this year will see the first contribution from the new telecoms joint venture with GEC - which should see strong demand from British Telecom as the company spends to improve its image - it is as difficult to figure out the size of this contribution as it was to determine the



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SECTION II - COMPANIES AND MARKETS  
**FINANCIAL TIMES**

Friday May 27 1988

**TAYLOR WOODROW**  
TEAMWORK IN PROPERTY WORLDWIDE

**Beecham signs first Saudi drugs licensing agreement**

BY LYNTON MCCLAIN IN LONDON

BEECHAM, the UK pharmaceutical group, yesterday signed the first international licensing agreement by any company for the transfer of pharmaceutical technology to Saudi Arabia. The agreement is to enable Beecham penicillin antibiotics to be produced in a \$55m (£10m) plant to be built by the Saudi Pharmaceutical Industries and Medical Appliances Corporation (Spimaco) at Al Qassim, 300km from the capital Riyadh. The factory will be Saudi Arabia's first pharmaceutical plant and will make the country self-sufficient in certain types of penicillin. The plant will be supplied with bulk raw material by Beecham for conversion into medicines. The licence agreement was signed in London by Mr Paul Tatham, managing director of Beecham Pharmaceuticals' worldwide commercial operations, and Dr Saleh A Al-Omair, deputy

minister for finance for Saudi Arabia and chairman of Spimaco. The Saudi minister said that the possibility of a further four pharmaceutical factories was under discussion. These would involve technology complementary to the Beecham penicillin technology and would also involve a transfer of technology to Saudi Arabia. They could involve pharmaceutical companies other than Beecham, although "it is intended that the agreement will form the foundation for expanded collaboration in the future between Beecham and Spimaco", the Saudi company said. The agreement was described by Spimaco as "one of the first of a series of licensing agreements it intends to sign with major research based pharmaceutical companies". The new factory is to manufacture 80 different pharmaceutical products and will provide about

25 per cent of Saudi Arabia's essential medicines. The first products to be manufactured are to include the Beecham semi-synthetic penicillins, Amoxil and Penbrin, both available on prescription in the UK. Several forms of penicillin will be produced from the factory, including up to 50m capsules of penicillin a year, tablets, cream syrup, ointments and injectable antibiotics. The Saudi Pharmaceutical Industries and Medical Appliances corporation, is to use the plant at Al Qassim to supply the Saudi home market, both the government and private sectors, and other countries in the Gulf Co-operation Council states. The agreement will involve the transfer of manufacturing technology, continuing specialist support for a range of Beecham oral antibiotic drugs and also support of the Beecham Scientific Office in Saudi Arabia.

**VW sues two for currency fraud**

**VOLKSWAGEN OF America**, a unit of the West German motor group, said it had filed a suit against two former employees for allegedly defrauding the company of millions of dollars through a foreign currency trading scheme, Reuters reports from Detroit. The two, Mr Nicholas Carnocci, who had been a manager of group banking operations, and his wife, Donna, an executive secretary for VW, allegedly "engaged with others in a scheme to skim company profits by agreeing with exchange traders at our parent company to engage with bogus (foreign currency) transactions with the Hungarian National Bank," according to the Volkswagen of America lawsuit.

The suit alleges that the Carnocci "bought or sold US dollars at rates that deviated from actual market rates... the intent was to recall the same US dollars at higher market prices and to keep for themselves the second profit."

According to the lawsuit, the scheme involved arbitrage by the defendants designed to protect them from losses if the dollar failed to rise.

In addition, traders allegedly engaged in bogus transactions with the Hungarian National Bank as part of the scheme, the lawsuit said.

The Carnocci allegedly transferred the money they skimmed from Volkswagen to at least five companies that they had registered in Liechtenstein in Western Europe, the lawsuit said.

In a related action, the West German Government began more than a year ago a criminal investigation of several West German Volkswagen employees associated with the Carnocci regarding foreign currency transactions, the company said.

Kevin Brown on how James Sherwood brought about a recovery at a US shipping group  
**Sea Containers charts profits course**

MR JAMES SHERWOOD, the general president of Sea Containers of the US, has hardly been off the front pages of most British newspapers this month. The excitement was caused by his intervention in a bitter dispute between the British seamen's union and P&O, the UK's largest shipping company.



James Sherwood: Fight to get ships back to sea.

Mr Sherwood became involved when the dispute spread to the ferry fleet operated by Sealink, the Sea Containers subsidiary which is P&O's main competitor on the English Channel routes.

For nearly two weeks, Mr Sherwood fought to get the fleet back to sea, first negotiating, then going to court, and finally publicly criticising Sir Jeffrey Stirling, P&O chairman, after reaching a peace deal with the union.

Mr Sherwood's high profile performance surprised many in the staid British shipping community, and his criticism of Mr Stirling was widely thought to reflect his own more volatile nature.

The episode reflects a dramatic change in the profile of the Sea Containers group, which acquired Sealink from the UK Government for \$26m (£11.8m) in 1984.

Sea Containers posted net profits of \$70m that year, of which Sealink contributed only \$15m. But revenue jumped from \$135m to \$368m, indicating that there was plenty of potential for future profits if Sealink's costs could be reduced.

Mr Sherwood was widely thought to be exaggerating when he forecast that profits from Sealink would equal those from com-

tinuer leasing within three years. He was almost right. But not for the reasons he expected.

The group ran into trouble in 1986, when route closures and redundancy payments costing nearly \$40m coincided with a weak market in container leasing, and defaults by 15 top customers.

Sealink made a profit of \$9m, while the container business lost \$26m. It was the beginning of a change of direction in the group's earnings profile.

The trend was confirmed in 1987, when net earnings recovered to \$43.6m, of which \$26m came from Sealink and only \$15m from container activities.

Mr Sherwood is confidently predicting record net profits of more than \$110m for the current year, including a \$40m profit from the sale and partial leaseback of the group's London headquarters.

expect to benefit commercially from the continuing industrial troubles of P&O. A fire aboard one of the company's freight-only ferries earlier this week is unlikely to have long-term effect on customer demand.

Mr Sherwood expects the trend towards higher bookings to continue as economic recovery and tax cuts combine to increase British disposable income.

He says the largely fixed costs of the ferry business mean increased revenue tends to flow straight through to the bottom line.

In the longer term, Sealink plans to diversify away from the competitive Dover routes, which will be affected by the proposed Channel Tunnel - due to open in 1993 - and to exploit the property potential of its 11 harbours.

There are plans to expand passenger services in the Mediterranean, and establish a US unit to operate a fast catamaran service between Connecticut and Manhattan.

Plans to float Sealink on the London Stock Exchange have been abandoned, partly because improving results mean Sea Containers no longer needs the money, and partly because the potential value of the company was halved by the October crash.

Profits are also being helped by a rise in rental rates of about 5 per cent last year. Demand has softened slightly in the important Far East market, because of a decline in exports to North America, but this is being more than offset by increasing demand in the US and Europe.

**Earnings rise 23% to \$42m at Litton**

By Our Financial Staff

LITTON INDUSTRIES, the California-based electronics and industrial products group, has reported a 23 per cent rise in third-quarter net profits to \$42.04m or \$1.60 per share, from \$34.27m or \$1.29 for the same period in 1987.

This brought net earnings for the nine months to April 30 to \$123.33m or \$4.57 a share, compared with \$102.7m or \$3.83 a year before.

Sales for the nine months advanced to \$3.55bn from \$3.19bn previously, after third quarter revenue advanced to \$1.2bn, compared with \$1.15bn for the comparable period. Operating profits for the third quarter advanced from \$91.1m to \$106.2m.

**Framatome 'backs out' of Telemecanique peace deal**

BY GEORGE GRAHAM IN PARIS

AN EXPECTED peace settlement in the long-running battle to take over Telemecanique, France's leading industrial automation company, appears to have come unraveled.

Schneider, the electrical equipment and construction group which launched the bidding battle for Telemecanique, said yesterday that Framatome, the nuclear plant builder which came in as white knight, had backed out of a proposed deal.

The Schneider offer of FF7.500 a share, valuing Telemecanique at FF8.8bn (\$1.5bn), is the highest on the table although it has been bitterly opposed by Telemecanique's management and employees. The rival bidder Framatome was heavily favoured by the French political authorities.

But Mr Didier Pineau-Valencien, Schneider chairman, said yesterday that Framatome had backed out of an agreement to buy his 25 per cent stake.

Schneider officials said Framatome had been prevented by Compagnie Generale d'Electricite (CGE) - its main shareholder with 40 per cent - from going ahead with an improved offer that topped its bid.

Schneider's shares plunged yesterday and were temporarily suspended after dropping more than 10 per cent.

Many analysts believe the price of FF7.5bn, 28 times last year's earnings, is well beyond Mr Pineau-Valencien's financial means. Schneider closed at FF7.238, down FF7.32.

**Krauss-Maffei sees rise**

BY DAVID GOODHART IN BONN

KRAUSS-MAFFEI, the West German defence and engineering group, expects a sharp rise in profits in the current year despite a decline in defence-related orders.

Mr Burkhard Wollschlaeger, the management board chairman, also announced that the company was likely to raise its share capital, which has stood at DM16.3m

(\$9.5m) for more than 20 years. Krauss-Maffei has a nominal DM1.2m of authorised but unused capital available.

The company, formerly part of the Flick industrial group, recorded a group net profit of DM313,000 in 1987, up from DM111,000. Pre-tax profit rose to DM7.77m from DM2.14m.

**Tesoro rebuffs latest bid**

BY OUR FINANCIAL STAFF

TESORO PETROLEUM, a US energy group, said its board had rejected a complex takeover proposal from Pentane Partners LP, a US limited partnership, because it was deficient and not in the best interest of shareholders.

Tesoro, with had annual revenues of \$1.47bn in the year ended September 1986, has a market capitalisation of \$127m based on Wednesday's closing price of

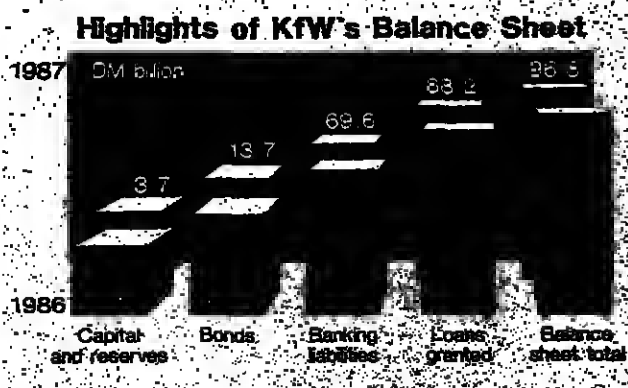
\$9 3/4. The move comes more than six months after an initial \$15 a share proposal from Pentane.

Under the new proposal, Tesoro's common shareholders, other than Pentane, would exchange their Tesoro shares, totalling 66.9 per cent of the outstanding, for 94.6 per cent of the surviving corporation plus \$6 a share.

**KfW 1987 Well Prepared for further Growth**

In 1987 KfW succeeded once more in reaching its goal for the year and at the same time strengthened its potential for future development. Domestic investment loans were concentrated in two areas: small and medium-sized enterprises (DM 5.0 billion) and environmental protection (DM 2.1 billion). German exporters benefited from total credits of DM 3.2 billion. Development assistance funds appropriated by the Federal Government (DM 2.7 billion) were mainly used to finance projects in Africa and Asia, including for the first time structural aid to improve the macro-economic framework.

In the coming years KfW will see a considerable increase in domestic investment loans - not least as a result of the DM 21 billion financial programme for local authorities and small and medium-sized enterprises launched recently by the Federal Government.



A copy of KfW's 1987 Annual Report is available upon request.

**KfW Kreditanstalt für Wiederaufbau**  
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INTERNATIONAL COMPANIES AND FINANCE

Ente Nazionale Per l'Energia Elettrica (E.N.E.L.) (the "Company") U.S. \$100,000,000 Floating Rate Debentures due 1987 convertible at the holders' option into the 9 1/2% Fixed Rate Debentures due 1995 Guaranteed by the Republic of Italy

NOTICE IS HEREBY GIVEN, that, as permitted by Condition 5(c) of the Fiscal Agency Agreement dated June 28, 1980 of the Debentures, the following Debentures of the Company indicated below, in the aggregate principal amount of U.S. \$3,200,000 have been drawn for redemption on July 1, 1988 (the "Redemption Date") at the Redemption Price (the "Redemption Price") of 100% of the Principal amount thereof.

Table with 10 columns of serial numbers for redemption. Includes sub-headers like SERIAL NUMBERS OF THE DEBENTURES CALLED FOR REDEMPTION and SERIAL NUMBERS OF THE DEBENTURES CALLED FOR REDEMPTION.

Payment of the Redemption Price will be made on or after July 1, 1988 upon presentation and surrender of the Debentures called for redemption, together with all coupons appertaining thereto maturing after July 1, 1988 at the Corporate Trust Office of The Bank of Tokyo Trust Company in New York City, 100 Broadway, New York, N.Y. 10005 or at the principal office in the city indicated of any of the following Paying Agents: The Bank of Tokyo Ltd., in London; The Bank of Tokyo Ltd., in Brussels; The Bank of Tokyo Ltd., in Hong Kong; The Bank of Tokyo Ltd., in Singapore.

From and after the Redemption Date, interest on the Debentures to be redeemed will cease to accrue and all coupons maturing after July 1, 1988 shall become void. The coupon for the interest payable on July 1, 1988 should be detached and presented for payment in the usual manner at the specified office of any Paying Agent. After the Redemption Date, Debentures in the aggregate principal amount of U.S. \$66,100,000 will remain outstanding.

Ente Nazionale Per l'Energia Elettrica By The Bank of Tokyo Trust Company as Fiscal Agent

Dated: May 27, 1988

BFCE continues to diversify to maintain growth: The Bank shows strong improvement in interbank and treasury operations.

The meeting of BFCE's shareholders, chaired by Michel Freyche, on May 24, 1988, approved the Financial Statements for the year ended December 31, 1987.

After providing FF 19 million for income taxes, net income for the year was FF 70.4 million compared to FF 76.2 million in 1986. A dividend of 5% (plus tax credit) will be paid to shareholders.

While the decline in the French Government's export financing activity continued due to the decrease in large scale projects and the effect of the major reforms in export financing adopted in 1985, the interbank and treasury operations reported strong growth (approximately 50%), helped by the new trading room which was put in operation in September 1987. Despite low demand for corporate financing and increasing competition within the banking industry, BFCE was able to maintain the volume of corporate loans outstanding due to strong marketing efforts. The Bank's charter, which previously emphasized foreign trade activity, was recently amended. Such amendments will facilitate the diversification of the bank and in particular will allow it to accelerate the pace of its expansion into all facets of corporate business activity.

Operating income for 1987 was impacted by pressure on margins, weakening of the dollar

which reduced income generated by foreign activities, as well as declining fee income from institutional activity. However, operating income benefited from additional revenues provided by treasury operations and other financial service activities. Overall, net operating income from banking activities reached FF 1,692 million, down from 1,834 million in 1986, a decrease of 7%.

In 1987, BFCE managed to stabilize its general expenses. Such expenses were lower in 1987 (FF 1,258 million) compared to 1986 (FF 1,263 million). Depreciation expenses increased, reflecting BFCE's investment effort in equipment. The above factors contributed to the decrease in net operating income to FF 359 million in 1987 from FF 506 million in 1986.

Because of the improvement in the quality of customer credits and commitments, the provision for possible losses was principally allocated to the sovereign risk exposure. Currently, reserves cover risks involving 39 countries, an addition of 14 over 1986, with an overall coverage rate of 28% on this expanded base, up from 24% in 1986. The Bank will continue to maintain its efforts in this area because of its support of the international finance activities of the French Government and its involvement with international commercial credits.

BFCE Banque Francaise du Commerce Extérieur

Zurich bourse hits at share curbs

BY JOHN WICKS IN ZURICH

THE Zurich Stock Exchange suggested yesterday that it could take action against listed Swiss companies which impose excessive restrictions on their registered shares.

Moves by companies in Switzerland to limit share register entry as a means of fending off unwelcome takeover bids have led to widespread criticism both in Switzerland and abroad.

Mr Dieter Sigrist, the Zurich bourse's legal adviser, said any measures would concern companies "whose articles of association prevent a clear transfer of rights to a buyer or which include arbitrary or restrictive practices."

Mr Sigrist, who is to make proposals to the Stock Exchange management, indicated that the shares in question might be taken out of main bourse trading

LA SUISSE, the Swiss insurance group, has withdrawn plans for a controversial capital increase following strong opposition from shareholders.

The company had proposed to issue 40,000 priority registered shares to Swiss Bank Corporation in a move aimed at protecting the company from potential takeover bids.

The company's plan would have given SBC effective voting control of La Suisse. Dis-

sent shareholders had objected to the proposals, claiming, among other things, a dilution of share values.

Shareholder moves of this kind usually fail in Switzerland. In this case, however, it is understood that since SBC is based in a German-language region, French-speaking Geneva and Lausanne banks sided with the shareholder opposition.

The Swiss practice of issuing registered shares was "wholly legitimate," he expressed misgivings at company articles which permit companies to refuse registration without giving good reason for their decision.

He felt that the limitation of registration to Swiss citizens was not in "keeping with the

demands of an international market." Such restrictions were fundamentally at odds with the views of the European Community and on the requirements for listed equities.

Non-registration tactics have been widely used recently by a variety of Swiss companies. Ugo-Trimerco, the retail group, successfully fought off a takeover by the rival Denner group in this way while jams group Hero deflected a bid from Jacobo-Schard, the chocolate and coffee company currently bidding for Rowntree of the UK.

Sulzer Brothers kept a dissident shareholder group at bay in this way. Two of the big Swiss chemicals groups, Ciba-Geigy and Sandoz, have recently pushed through plans to limit share registration in the face of shareholder opposition.

It has bought TEL, the UK oil-con producer, besides acquiring 36 per cent of Oberland Glas and bidding for Wolpertine Technologies in the US.

It has also cut its construction interests by exchanging 65 per cent of SGE, its housing division, for 25 per cent of a new joint venture.

The disposal by Superfos is the latest in a series of divestments by the Danish group in an effort to restore its finances after the disastrous acquisition of Royster, the US fertilizer group, in 1984.

Last year it also sold 80 per cent of its Danish fertilizer business to Finland's Kemira.

Extraordinary income of DKr62m (\$10.2m), arising in part from these sales, contributed strongly to turning a DKr31m loss in 1986 into profits of DKr20m last year.

Veba boosts earnings in first quarter

By David Marsh in Dusseldorf

VBEA, the West German energy and chemicals conglomerate, boosted group net profit to DM185m (\$108m) in the first three months of this year from DM167m in the same period last year, according to provisional figures.

Mr Rudolf von Bennigsen-Foerster, chairman, said the company expects profits for the year will at least match last year's level, when group net profits (after subtracting minority interests) rose to DM394m from DM319m.

Turnover rose 3.9 per cent in the first quarter to DM10.6bn from DM10.2bn in the same period of 1987. This was almost entirely due to incorporation into the group of the chemicals and plastics activities of Feldmuehle Nobel, the manufacturing group formerly part of the Flick industrial empire, under a deal agreed in May last year.

The acquisition helped boost Veba's chemical turnover 68 per cent to DM2.0bn in the first three months. Mr von Bennigsen said that after making allowance for the acquisition, Veba's chemicals subsidiary Huels still showed a healthy 16 per cent turnover increase in the first quarter, equalling like the other large West German chemical groups from strong general demand at the beginning of the year.

Other production sectors showed less buoyancy. Electricity sales fell 3.3 per cent to DM2.8bn in the first quarter, while mineral oil turnover dropped 5.4 per cent to DM1.9bn. Trading activities, however, turned in a 10 per cent turnover rise to DM2.9bn.

Troubled KHD confirms loss

By David Goodhart in Bonn

KLOECKNER-Humboldt-Deutz, the troubled West German diesel engine and agricultural machinery group, has confirmed a loss of DM28m (\$167.8m) for 1987 and a drop in sales from DM4.89bn to DM4.51bn. It hopes to reduce losses below DM100m in the current year.

It said some progress had been made in the restructuring programme and 4,900 of the 6,300 job cuts in Germany had been made. About 1,400 jobs would be shed at foreign subsidiaries.

Lloyds Eurofinance N.V. Guaranteed Floating Rate Notes due 1994. For the three months May 26, 1988 to August 26, 1988 the Notes will carry an interest rate of 7.075% p.a. with a Coupon Amount of 398.98 in respect of 10,000 nominal of the Notes and 5494.88 in respect of 225,000 nominal of the Notes payable on May 26, 1988.

DG Bank ahead despite crash

BY HAIG SIMONIAN IN FRANKFURT

PARTIAL GROUP operating profits at Deutsche Genossenschaftsbank (DG Bank), the central institution for West Germany's co-operative banks, rose by more than 5 per cent to DM578m (\$337m) last year from DM544m.

Full operating profits, which are not disclosed but include gains from trading on the bank's own account, increased by 14 per cent due to higher own-account earnings.

Both results are highly creditable and come against a background of generally lower profits among German banks in 1987 after the stock market crash.

Group earnings in the first four months of 1988 rose by 3 per cent against the same time last year, said Mr Helmut Guthardt, chief executive. However, the bank is

doubtful the momentum can be maintained.

DG Bank remains on course to buy a 75 per cent stake in Volkfuersorge, one of Germany's biggest insurance groups, from the country's trade union movement, despite the continuing delay in concluding negotiations, said Mr Guthardt. "Another three more months are not important," he said.

One major hold-up to the bid, estimated to be worth some DM2.5bn, is the need to reconcile Volkfuersorge's relatively high wages and fringe benefits with those of B&V, the bank's existing general insurance operation.

The bank's total assets, presented for the first time in consolidated form, rose by over 12 per cent to DM185bn at group level

last year. Interest income increased by over 11 per cent to DM1.6bn, despite a fall in margins, while fee income rose by about one third to DM154m.

Partial operating profits at Hessische Landesbank (Hela), West Germany's fourth biggest Landesbank, fell by almost 20 per cent to DM197m last year.

However, full operating profits, which include gains from trading on the bank's own account, declined by 11.6 per cent to DM242m due to higher own-account trading gains.

The decrease was almost entirely due to a DM43m drop in the bank's interest income to DM515m. Fee income remained unchanged at DM70m, while Hela's total group assets increased to DM74.4bn last year.

Bond to sell property portfolio in Hong Kong

BY DAVID DOOWELL IN HONG KONG

MR ALAN BOND, the Australian entrepreneur, is to sell for HK\$1.37bn (\$175.8m) a portfolio of six big residential property developments in Hong Kong - one of his three investments in the territory - in a surprise move that appears to endorse persistent reports that he is disenchanted with Hong Kong as a home for overseas investment.

News of the disposal coincides with claims that he is negotiating the sale of his second major investment in the territory - a 27 per cent holding in HK-TVB, Hong Kong's leading television company, acquired for just under HK\$1.6bn early last year. Mr Bond's executives deny these claims.

Bond Corporation International, which was listed in Hong Kong in January last year, is to sell the property portfolio to a company controlled by Mr Robert

Koek, whose family controls the Shangri-la hotels group. The deal will earn Mr Bond a profit of HK\$200m over the book value of the properties when they were acquired from Hongkong Land in December 1986.

Last June, Mr Bond told shareholders attending the group's annual meeting that he had no intention of selling these "core properties," which he described as the "best residential portfolio in Hong Kong."

During his 18-month corporate presence in Hong Kong, Mr Bond has had several clashes with the territory's regulatory authorities. He is also understood to have been disappointed by a government decision to block foreign ownership of local television stations, a move that stymied his plans to take a bigger stake in HK-TVB.

Lendu Holdings PLC

Highlights from the Chairman Mr. E. Hestley-Chaplin's Statement and the Accounts for the year ended 31 December, 1987.

- the benefit from the continuing strength of rubber prices throughout 1987 was reduced by weakening of the Malaysian Ringgit against Sterling.
profits before taxation increased to £169,840 from £50,467.
134.09 hectares of Lendu Estate in Malaysia compulsorily acquired by the Malacca State Authorities for a college campus, resulting in an extraordinary gain of £478,957.
£1,226,000 raised during the year before expenses after cash subscription by The Chillington Corporation plc and 1 for 7 rights issue.
Indonesia, a 1,837 hectare sheep property in West Australia purchased and since the end of the year an adjacent 289 hectares have been acquired.
since the end of the year the Company's holding in Colly Farms Cotton Limited was sold for £1,080,000. The profit before taxation amounted to £380,000.
the board proposes making a 3 for 1 capitalisation issue.
Copies of the report and accounts are available on request from, M. P. Evans Secretarial Services Limited, Tube Hill House, London Road, Sevenoaks, Kent TN13 1DG.

First City Financial Corporation (Euro), Ltd. US \$80,000,000 EURO-COMMERCIAL PAPER PROGRAMME. Guaranteed by First City Financial Corporation Ltd. Bank of America International Limited Barclays de Zoete Wedd Limited. May, 1988

U.S. \$100,000,000 Robert Fleming Netherlands B.V. Primary Capital Undated Guaranteed Floating Rate Notes guaranteed by Robert Fleming Holdings Limited. Interest Rate 8 1/2% per annum. Interest Period 27th May 1988 28th November 1988. Interest Amount due 28th November 1988 per U.S. \$10,000 Note U.S. \$ 427.17 per U.S. \$50,000 Note U.S. \$2,135.85. Credit Suisse First Boston Limited Agent Bank

U.S. \$600,000,000 Commonwealth of Australia Floating Rate Notes Due 1998. Interest Rate 7 1/4% per annum. Interest Period 27th May 1988 28th November 1988. Interest Amount due 28th November 1988 per U.S. \$ 10,000 Note U.S. \$ 395.06 per U.S. \$50,000 Note U.S. \$19,752.60. Credit Suisse First Boston Limited Agent Bank

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# INTERNATIONAL COMPANIES AND FINANCE

## Generally strong results continue to emerge from Japan. Ian Rodger and Stefan Wagstyl in Tokyo report

### Itoh tops trading house sales league

C. ITOH topped the list of Japan's giant trading companies for the second year running in terms of sales, thanks to an aggressive push into new markets, especially for imports.

Mitsui, the company which controls the luxury Mitsukoshi department store group, followed close behind, according to results published yesterday for the year to March. But Mitsubishi, the traditional leader, languished in fifth place, due to its reliance on oil and gas, where prices were weak.

The six companies concentrated on increasing imports to take advantage of Japan and cut summer spending in Japan and cut reliance on exports, which are being hit by the high yen. At Itoh, for example, imports were up 14.5 per cent, while exports fell 15.5 per cent. For Mitsui,

Company	Sales		Pre-tax profit		Net profit	
	Yen	%	Yen	%	Yen	%
C. Itoh	14,921	+4.7	42.4	+21.1	10.3	+19.5
Mitsui	14,131	+11.9	75.5	+20.2	12.5	+33.6
Sunshomei	13,683	+5.9	49.1	+8.2	25.3	+11.2
Mitsubishi	13,200	+2.7	38.0	+23.0	9.8	+62.1
Mitsubishi	12,281	+3.6	69.8	-12.2	26.1	+21.5
Nissho Iwai	10,138	+38.5	30.6	+2.3	5.1	+26.2

imports rose 4.4 per cent and exports dropped 1.5 per cent. Trading between foreign countries also jumped sharply - by 41.5 per cent for Mitsui, which concentrated on oil and gas and non-ferrous metals. The companies benefited from stronger commodity prices, which increased margins in the bread-and-butter business of importing energy and raw materials into Japan. Sumitomo profited from increased sales of steel and non-ferrous metals. At Mitsubishi, operating profits jumped 47.7 per cent to ¥49bn (\$593.8m), due in part to higher domestic sales of fuel and chemicals. However, Mitsubishi's overall profit fell because of sharply lower sales of securities holdings - highlighting the importance of financial investment management, or *Zaitochi*, to the trading companies. Officials said total profit would otherwise have risen strongly.

Bumper one-off sales of financial assets were the main reason behind the sharp pre-tax gains at Mitsui, which made ¥36.6bn from bond sales. This was partly offset by a ¥24.9bn increase in reserves for losses on its petrochemical complex in Iran, which has never been completed because of the Iran-Iraq war. The company said it had now provided for ¥82.4bn of the ¥83.6bn lost on the project.

For the current year, Mitsui is forecasting a sharp fall in pre-tax profits to ¥45bn because bond sales will not be repeated. But generally the trading companies expect modest gains in profits and sales - reflecting concern that the surge in commodity prices over the past year may peter out.

### Electronics groups show soaring profits

HITACHI, Toshiba and Mitsubishi Electric, three of Japan's biggest electronics companies, yesterday reported 55 per cent-plus increases in annual pre-tax profits due to a worldwide recovery in semiconductor and strong domestic demand for consumer and industrial electronics goods.

At each group, the divisions producing semiconductors and related devices, posted the largest sales increases, which fed through into hefty profit gains because of the high margins on these products. Toshiba, in particular, gained from its world lead in developing one megabyte DRAM memory devices, the latest memory microchips.

However, all three suffered declines in sales in consumer goods, including televisions, because of the high yen and of competition from other Asian countries in export markets.

Hitachi, which like the others was reporting parent company results for the year to March, showed slightly weaker sales of ¥2,319bn (\$23.5bn) against ¥2,325bn. Pre-tax profits were ¥138.7bn against ¥89.1bn and net profits ¥65.1bn, up from ¥33.3bn, giving earnings a share of ¥22.29 (¥18.82). Toshiba's pre-tax profits were ¥65bn (¥41.2bn) and net profit ¥37bn (¥23.7bn), on sales of ¥2,683bn, up 7 per cent. Earnings were ¥12.6 per share (¥8.67).

Toshiba said it had been a very difficult year, not least because of the row concerning illegal sales of equipment to the Soviet Union.

KDD, Japan's international telecommunications company, lifted pre-tax profits 23.3 per cent to ¥33.4bn (\$284.5m) in its year to March, but warns that the current year's outcome cannot be forecast because of pending rate cuts.

Revenues rose 10.9 per cent to ¥248.5bn but a rate reduction of at least 10 per cent is expected by the autumn.

### Honda Motor 34.8% ahead at mid-term

HONDA MOTOR, the Japanese motor company, has posted a 34.8 per cent increase in interim pre-tax profits to ¥91.12bn (\$732.2m), due to strong domestic sales and a surge in profits from financial investments, or *Zaitochi*.

While overall turnover for the six months to March grew 11.3 per cent to ¥1,555bn, domestic sales jumped 31 per cent to ¥525bn. Home sales of motorcycles rose 48 per cent, due to a sudden recovery in a market depressed for much of the 1980s.

But consolidated operating income was down 10.5 per cent at ¥38.5bn, due to the depreciating US dollar which hit overseas earnings on translation into yen.

However, the company's treasurer came to the rescue, helping to raise "other income", including investment income, sevenfold to ¥38.3bn.

As a result net income was up 51.7 per cent at ¥36.6bn, giving earnings per share of ¥56 (¥38.36). The comparative figures are for the period to February 1987, because the company is changing its year-end.

Honda said the launch of new models boosted sales of automobiles and motorcycles. Its best-selling new motorcycle was Tact - a model with a built-in crash helmet carrier.

Honda made no forecast for the overall group, but said unconsolidated results (covering mainly Japanese operations) would show a decline in profit from ¥47.4bn to ¥42bn for the six months to September on sales slightly higher at ¥1,310bn.

For the year to next March, unconsolidated profits would be pre-tax ¥90bn on sales of ¥2,640bn, an advance on the year to February 1987, the last full year for which figures are available.

The group's results would suffer from a further decline in the dollar - partly because exports from Japan would be hit and partly because profits earned in North America would be reduced on translation into yen.

### Dairy companies benefit from hot, dry summer

JAPAN'S leading dairy companies have enjoyed handsome profit increases thanks to the stimulus to sales of milk and ice cream, caused by the hot, dry summer last year.

Pre-tax profits of Snow Brand MILK, the largest dairy group, jumped 20 per cent in the year to March to ¥155.5bn (\$124.6m) on a 3 per cent sales rise to ¥491.5bn. Net profits were up 20 per cent to ¥41.1bn. The company is forecasting a 6 per cent rise in pre-tax profits this year to ¥165.5bn.

Meiji MILK, the second largest, had a record pre-tax profit of

¥6.7bn, up 15.3 per cent. Sales rose for the first time in three years, ending up 2.4 per cent higher at ¥360.9bn. This year, it expects another increase in sales to ¥2.1bn but only a marginal rise in pre-tax profit to ¥6.8bn.

At Morinaga Milk pre-tax profit was up 15.2 per cent to ¥6.3bn on a 6.2 per cent rise in sales to ¥315.2bn. The company has decided to raise its annual dividend by ¥1 to ¥6.

For the current year, it is forecasting sales growth of 1.5 per cent to ¥320bn and a pre-tax profit of ¥6.5bn.

### Famic forecasts stronger rally in current year

FANUC, the Japanese industrial automation group, has reported a 2.7 per cent rise in pre-tax profit to ¥34.5bn (\$277.3m) in the year to March.

The company is forecasting a much stronger recovery in the current year, in which profits are expected to rise 30 per cent to ¥45bn.

Sales of plastic injection moulding machines, a relatively new line for the company, showed an increase of 17.5 per cent last year, but sales of numerical control systems, the core of the business, were flat and sales of industrial robots were down 6 per cent.

Total sales were down 1.5 per cent to ¥116.7bn. Net profit declined 13 per cent to ¥16.7bn or ¥14.03 per share.

### Slow camera sales depress Minolta result

PRE-TAX profits of Minolta Camera, a leading Japanese maker of cameras and copying machines, fell 38.7 per cent to ¥5.1bn (\$41m) in the year to March, on sales down 6.3 per cent to ¥196.9bn.

Sales of office equipment were strong, but camera sales were slow due to the high value of the yen and weak demand for single reflex lens models. Net profit was down 37 per cent to ¥2.5bn or ¥12.38 per share.

The company is introducing new models of auto-focus cameras this year and hopes that they will make an impact on sales and profits in the second half. It forecasts that pre-tax profits will rise to ¥6bn for the year.

### Furukawa gains ground on Sumitomo Electric

FURUKAWA ELECTRIC, Japan's second largest wires and cables company, gained ground in sales in the year to March on the market leader Sumitomo Electric.

Furukawa increased sales 10.8 per cent to ¥470bn (\$3.78bn), while turnover at Sumitomo grew by just 3 per cent to ¥550bn. Furukawa's pre-tax profits soared 55.3 per cent to ¥18.5bn, compared with a gain of 7 per cent to ¥22.7bn at Sumitomo.

Sumitomo's small sales increase was achieved despite a 41 per cent decline in exports, which were hit by the appreciation of the yen.

Both companies were affected by troubles at subsidiaries. Furukawa, which is known for its

aggressive expansion into new fields, including optical fibres and light metals, suffered from "excessive liabilities" at Furukawa Aluminium. The parent company was forced to take a ¥10bn loss on the value of its equity shareholding, resulting in a 6.3 per cent fall in net income to ¥4.5bn.

Sumitomo wrote off \$19m invested in a subsidiary involved in a dispute in the US over a patent for optical fibre manufacturing. The group's net profits were 4 per cent up to ¥12.5bn.

For the current year the companies, which compete for business from Nippon Telegraph & Telephone, are forecasting modest profit and sales increases.

### Nissin Food ahead at pre-tax level


NISSIN FOOD Products, which has led a Japanese boom in instant noodles and similar snacks, edged up taxable profits by 2.9 per cent to ¥19.24bn (\$15.2m) in its March year as marketing and development costs

took their toll on sales which rose just 0.5 per cent to ¥150.5bn. Title further progress is expected this year - with earnings of ¥19.5bn - as rivals fight for market share amid changing consumer tastes.

**U.S. \$150,000,000**  
**Canadian Imperial Bank of Commerce**  
 (A Canadian Chartered Bank)  
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In accordance with the provisions of the Notes, notice is hereby given, that for the interest period from February 23, 1988 to May 31, 1988 the rate for the final interest sub-period from May 23, 1988 to May 31, 1988 has been determined at 7 1/2% per annum, and therefore the amount of interest payable against Coupon No. 15 is per U.S. \$10,000 nominal in registered form, on the relevant interest payment date May 31, 1988 will be U.S. \$180.91.

By: The Chase Manhattan Bank, N.A.  
 London, Agent Bank



May 27, 1988

All of these securities having been sold, this announcement appears as a matter of record only.

May, 1988  
Concurrent Worldwide Offering

## 5,503,107 Shares

# Sotheby's Holdings, Inc.

### Class A Limited Voting Common Stock (\$0.10 par value)

This portion of the offering was offered in the United States by the undersigned.

**2,903,107 Shares**  
Price U.S.\$18 Per Share

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Dillon, Read & Co. Inc.	Hambrecht & Quist Incorporated	Kidder, Peabody & Co. Incorporated
Goldman, Sachs & Co.	Merrill Lynch Capital Markets	Montgomery Securities
Lazard Freres & Co.	PaineWebber Incorporated	Prudential-Bache Capital Funding Incorporated
Morgan Stanley & Co.	L.F. Rothschild & Co. Incorporated	Shearson Lehman Hutton Inc.
Robertson, Coleman & Stephens	Smith Barney, Harris Upham & Co. Incorporated	Wertheim Schroder & Co. Incorporated
Dean Witter Capital Markets	William Blair & Company	Cazenove Inc.
William Blair & Company	Dein Bosworth Incorporated	A. G. Edwards & Sons, Inc.
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Prescott, Ball & Turben, Inc.		Thomson McKinnon Securities Inc.
Tucker, Anthony & R. L. Day, Inc.		Wheat, First Securities, Inc.
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Jotelson, Lemon & Co. Incorporated	Ladenburg, Thalmann & Co. Inc.	Mabon, Nugent & Co.
Morgan Keegan & Company, Inc.		Neuberger & Berman
Rauscher Pierce Refenes, Inc.	The Robinson-Humphrey Company, Inc.	Rothschild Inc.
Stephens Inc.		Voipe & Covington

This portion of the offering was placed in the United Kingdom and Ireland by the undersigned.

**1,500,000 Shares**  
Price U.S.\$18 Per Share

Salomon Brothers International Limited	Lazard Brothers & Co., Limited
Cazenove & Co.	
Bell Lawrie Ltd.	Henry Cooke, Lamdon plc
Nelson Milnes Ltd.	Stock Beoch & Co. Ltd.

This portion of the offering was offered outside the United States, Canada, the United Kingdom and Ireland by the undersigned.

**1,100,000 Shares**  
Price U.S.\$18 Per Share

Salomon Brothers International Limited	Lazard Brothers & Co., Limited
Cazenove & Co.	
Julius Bear International Limited	Banque Indosuez
Banque Paribas Capital Markets Limited	Chase Investment Bank
Commerzbank Aktiengesellschaft	Deiwa Europe Limited
Deutsche Bank Capital Markets Limited	Dresdner Bank Aktiengesellschaft
Goldman Sachs International Corp.	IMI Capital Markets (UK) Ltd
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SBG Swiss Bank Corporation	Union Bank of Switzerland (Securities) Limited



INTERNATIONAL CAPITAL MARKETS AND COMPANIES

AMC marketing treasury know-how

THE CRASH of the tin market in 1986 put Amalgamated Metal Corporation on its mettle. The company, British trading subsidiary of the West German metals giant Preussag, had bought tin and sold it forward to the International Tin Council, which failed to meet its obligations.

manage its own cash flows and foreign exchange exposure. In building up the capacity of its treasury, Amalgamated has followed a pattern adopted by a growing number of non-financial companies in many countries.

Stephen Fidler on a British tin trader's plans to profit from foreign exchange dealing expertise

although big multinationals such as British Petroleum have sophisticated treasury operations of long standing and high repute. So large are some of these companies' operations that banks in the foreign exchange market, for example, often are unsure whether to treat them as competitors or customers.

where accountants or traditional commercial bankers see their role as arranging borrowings and effecting financial transactions, and what he calls operational treasury. Here a company will use its natural cash flows and foreign exchange exposure as a resource on which to build a profitable operation.

itself up in competition with banks, offering expertise and services in a market it believes the banks could serve better. Treasurers of smaller companies can and do make potentially costly mistakes. They will often not have the time to get competitive price quotes from a number of banks, and they will declare themselves as buyers or sellers in advance of the trade, a practice which never occurs between currency market professionals.

Courage Pub to raise £875m

AN £875m syndicated loan was launched yesterday among international banks to finance the previously announced acquisition of the Elders IXL group by a newly-formed joint venture.

Swap windows attract four Ecu borrowers

THE PRIMARY Eurobond market opened for business yesterday following Wednesday's onslaught of new deals when more than 20 new bonds in several currencies, including over \$1.5bn of dollar-denominated paper, were launched.

INTERNATIONAL BONDS

points over comparable Treasuries, was considered generally priced. However, its reception was not as smooth by the easier tone of secondary markets following the release of the US data and dealers said a larger issue size would have been even more popular. Much of the paper is thought to have gone directly to Japanese investors.

Bourse lifts Baudouin ban

THE FRENCH stock exchange has lifted its ban on Louis Baudouin, the stockbroker which was suspended from dealing in March after the eruption of a financial scandal.

Japan plans new bond tax

THE JAPANESE Ministry of Finance (MOF) has decided to tax capital gains from convertible bonds and bonds with warrants under planned tax reforms.

Euronote issue tied to gold price average

BANKERS TRUST International and Lazard Freres are offering \$100m in four-year Euro notes, the performance of which is tied to the average gold price over the period.

Advertisement for AB SVENSK EXPORTKREDIT (SWEDISH EXPORT CREDIT CORPORATION). U.S. \$200,000,000. 7 1/2 per cent. Notes due 1989. Issue Price 100% per cent. Includes logos for SEK and a list of international banks.

SecPac moves bring job cuts

SECURITY PACIFIC Hoare Govett said yesterday that closer amalgamation of the separate market-making divisions of Security Pacific and Hoare Govett had resulted in the loss of 22 jobs earlier this week.

Zurich to split off bond trade

THE ZURICH Stock Exchange hopes to split off bond trading by next year to devote more capacity to stock dealing, Reuters reports from Zurich.

FT INTERNATIONAL BOND SERVICE

Table listing international bonds with columns for Country, Issue, Maturity, Coupon, and Yield. Includes sections for US DOLLAR, YEN STRAIGHTS, OTHER STRAIGHTS, and CONVERTIBLE.



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UK COMPANY NEWS

# Plessey down at £172m despite final quarter lift

By Terry Doodsworth, Industrial Editor

Plessey, the UK electronics group, registered a jump in final quarter profits which has enabled the group to reverse much of the early year decline in its performance.

Pre-tax profits jumped by 29 per cent in the three months to April 1, reaching £88.8m against £51.7m, while turnover rose by 2.9 per cent from £404.8m to £416.7m.

As a result, full year pre-tax profits were down by 6.5 per cent at £172.1m against £184.2m, despite a fall in turnover from £1.43bn to £1.3bn. This represented a significant recovery from the group's position in the first nine months of the year, when it registered a pre-tax decline of 20.5 per cent to £105.3m on sales down 13.7 per cent to £384.2m.

Sir John Clark, Plessey's chairman and chief executive, described the results as "credit-able", particularly taking account of the negative effects of currency adjustments. "We have good reasons for renewed confidence with a record order book," he said.

At an attributable level, profits rose by 13 per cent from £116.5m to £131.1m, giving earnings per share of 17.7p (15.74p). These

results were helped, however, by a reduced tax charge, down to £52m (£52.7m), and an extraordinary credit of £12.4m relating to the formation of the new GPT joint venture telecommunications group with GEC. Last year the group took an extraordinary charge of £3.5m for its defence costs in the takeover bid by GEC.

Mr Stephen Walls, finance director, said the credit figure was struck after deducting the costs of reorganisation expenditure associated with GPT from the £46m the group had received from GEC to equalise the assets in the joint venture. Plessey had also charged net losses on the disposals of other businesses last year.

An increase of 25 per cent in the final dividend to 4.276p per share is being recommended, bringing the full year dividend to 6.659p, an overall rise of 15 per cent. The City reacted to the results, which were in line with forecasts, by marking the shares down 1.5p to 158.5p on the day.

Sir John refused to be drawn into profits forecasts for the current period, but said the order book had risen by 27.6 per cent last year, with all the company's business segments contributing to the increase. He conceded that

# Imminent disposals should net Suter £40m

By Nikki Tsai

MR DAVID ABELL, chairman of Suter, the acquisitive industrial conglomerate, told shareholders yesterday that the company expected to raise more than £40m from the sale of a number of businesses during the next few weeks. "The sale consideration figure includes borrowings eliminated as a result of the disposals."

Speaking at the company's annual meeting, Mr Abell added that the board had just received a revaluation report on the company's 16 most substantial properties. This, he said, showed a £15m surplus over current book values.

As a result, he suggested, Suter hoped to reduce borrowings to less than £40m by end-June, compared with net assets of more than £90m.

The major disposal under negotiation is believed to be Mitchell Cotts Transport Services, acquired last summer as a result of its successful £77m bid for Mitchell Cotts.

Mr Abell also referred to the insider-trading allegations made against him by a Channel 4 television programme last year, which he has strenuously denied. He conceded that the company's share price had been affected and added that the libel proceedings were being "vigorously pursued". He said that because of the legal situation he could not comment in detail.

# Maggie Urry looks at Reed's plans to concentrate on publishing

## The cuckoo ejects the parent

IT IS hard to escape the irony in Reed International's decision to sell its paper and packaging businesses. The company, nearly a century old, has its roots in paper-making and has suffered or enjoyed the swings of the paper cycle ever since.

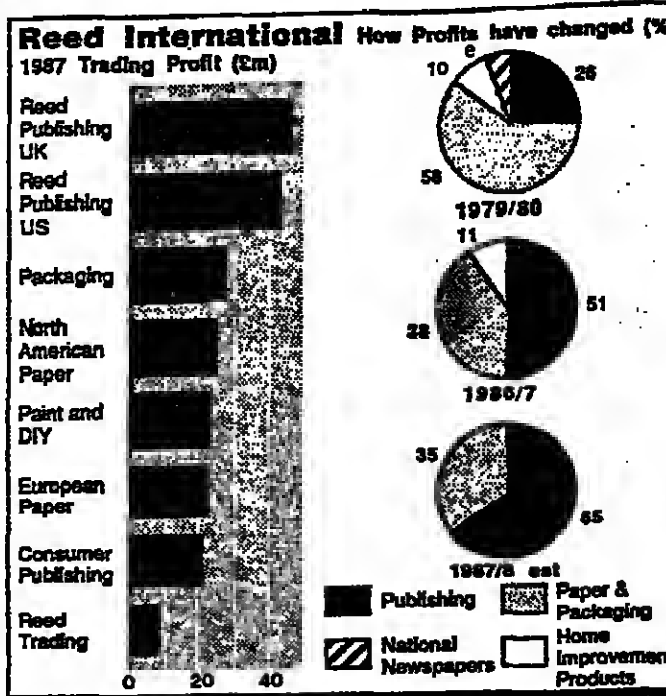
Reed's move into publishing came when it took control of IPC in 1970. "Now the cuckoo is pushing the parent out of the nest - and the parent too," says one long-time Reed follower.

Yet yesterday's announcement of a planned management buy-out for its European paper and packaging business and the sale of the Canadian paper mill, can be seen simply as a culmination of the concentration of the group over the last few years.

In 1982, Reed reported profits from 10 different trading divisions. That will have fallen to two broad categories - publishing and paper and packaging - in the year to March 1988, to be reported on June 8 when more details of the disposals will also be revealed.

Under first Sir Alex Jarrett, then Mr Leslie Carpenter and latterly Mr Peter Davis, chief executive since 1986, Reed has been selling off what it saw as peripheral businesses.

Most famously, the Mirror newspaper group was sold to Mr Robert Maxwell in 1984. But a host of other deals saw the departure among others of the Oribas printing business, Spicer-Cowan paper merchanting, the Sanderson, Crown and Sunworthy wallpaper companies, the building



attack a range of markets - consumers through magazines and local papers, the business market, and through Butterworth, the professional. Mr Davis sees opportunities to expand in most areas of publishing.

Should the two disposals raise £500m, as many analysts predict, and with less than £200m of debt in Reed's balance sheet, Mr Davis clearly has the funds to go on a buying spree. Octopus cost £50m last year, but during the financial year a total of 20 publishing companies were acquired.

He is determined not to over-pay for acquisitions, and says he recently walked away from a deal where the price was wrong. But he agrees p/e ratios for publishing companies are higher than for the paper and packaging businesses he is selling.

Analysts were concerned yesterday that the sales would dilute earnings per share in the short term. Mr Davis agrees that, depending on the timing and price of acquisitions, there could be a pause in earnings growth. "It would be difficult to maintain a steady increase in earnings per share while doing something as significant as this," he says. But he adds "we would not be doing this if we did not think it would enhance value for shareholders."

There is also the suggestion that Reed has opened itself to a predator, by forming a coherent group with a pile of cash. Mr Davis recognises the risk, though he points out, with a market capitalisation of around £2.2bn, Reed would be a large mouthful.

# RHP advances 22% to £11.7m

By Fiona Thompson

RHP Group, the former ball-bearing company which acquired the Burgess Group, electrical engineers, in February, yesterday announced interim pre-tax profits up 22 per cent to £11.6m and a change of name to Pilgrim House Group.

The advance for the six months to April 1 1988 from £9.54m previously, was made on reduced turnover of £73.07m, compared with £87.42m. The results include 11 weeks' profits from RHP's bearings business before it was sold last December for £73.5m, and a six-week contribution from Burgess, acquired for £90m.

Earnings per share rose from 7.5p to 8.6p.

Mr David Ewart, chairman, said trading conditions for the continuing businesses and the acquisitions had been good and were encouraging for the future. The cash position was strong - £50m, and the company was negotiating two major US acquisitions for £100m each in the field of fire detection, though the deals were a long way from fruition.

Mr Ewart said the adverse trading conditions reported at the time of the acquisition at two of the Burgess subsidiaries - Coin and AEG - had improved and both companies were now trading satisfactorily. The financial irregularities at the Burgess West German subsidiary "were no worse than has been disclosed" (at the time RHP said the irregularities would reduce Burgess's profits by £750,000) and RHP was confident that it could mitigate any losses.

RHP has acquired three other businesses this spring, two US and one West German, all involved in the fire protection industry.

Mr Ewart said the group was poised to increase in size by further acquisitions. "We are enjoying a higher level of order input and order books than we have

seen for several years." The tax charge was £4.12m, against £3.5m last time. An interim dividend of 2.4p (2.2p) was declared.

● **comment**

After all the brouhaha surrounding the Burgess "began as a merger ended as an acquisition" affair, analysts were pleased to see that the Burgess profits contribution, albeit just six weeks' worth, was quite a bit higher than expected - £1.6m on sales of £11.6m. This contribution also acted to allay worries of any more losses in the Burgess nest. Certainly RHP's credibility has not been dented by the affair and the interest now centres around what RHP will do with its £50m cash pile. The betting is on acquisitions to complement existing activities, plus small bolt-on purchases. Expectations of £31m for the full year produce a prospective p/e of about 9, cheap.

# Polly Peck chief increases stake

Mr Adil Nadir, chairman of Polly Peck International, has increased his interest in the agricultural, electronics and textiles group from 24.97 per cent to 25.43 per cent of ordinary shares.

Restro Investments, a private company owned by Mr Nadir, this week bought a total of 2.46m shares at prices between 297p and 317p. The first shares were bought on Tuesday, when Polly Peck reported better than expected interim pre-tax profits of £45m.

Restro also bought £609,688 nominal of Polly Peck's 9 per cent convertible unsecured loan stock.

# Reed picks a good time for paper sale

WHATEVER THE merits of Reed's decision to sell its paper and packaging business, its timing could hardly have been better, writes Maggie Dry.

The paper industry in the UK, and around the world, has been revitalised in recent years. Only a few weeks ago Reed opened the first new paper machine at its Aylesford mill in Kent for thirty years - a sign of the resurgence in the industry.

Over the last few years Reed has also been spending heavily, investing in and streamlining its paper and packaging interests. After taking the strategic decision to sell last autumn, Reed restructured its European interests into one manufacturing group, headed by Mr Peter Williams.

In Canada too investment in the Quebec newsprint mill has been high. At the same time the improvement in newsprint prices, and the UK and the Netherlands paper-making business, plus the transport operations handling paper and packaging; the UK packaging businesses where Reed can claim

to be the largest corrugated case and carton maker in the UK, and has a strong position in plastic packaging; and Reed Trading which wholesales office stationery under the Spicor name and is the largest waste paper merchant in Europe.

Reed's North American Paper Group which makes 400,000 tonnes of newsprint a year, following an expansion of the mill's capacity. It also makes 35,000 tonnes of paperboard, 20,000 tonnes of market sulphite pulp and has packaging interests. Trading profits were £24.4m in 1988-87, on sales of £170m. At the half-way stage it reported a doubling of trading profits to £18.8m following the completion of the expansion. Analysts are forecasting trading profits up to £28m in the full year.

The manufacturing group will follow two other notable management buy-outs in the sector if the plan goes ahead. Both Lawson Mardon, a Canadian-based packaging group, and UK Paper, a fine paper maker, have successfully returned to the stock market after being bought out from

their parent companies, respectively RAT Industries and Bowater Industries.

Despite the cyclical nature of the sector, and the heavy capital investment required - two factors which persuaded Reed to sell - Reed Manufacturing's predecessor's have shown it possible to raise backing for a buy-out.

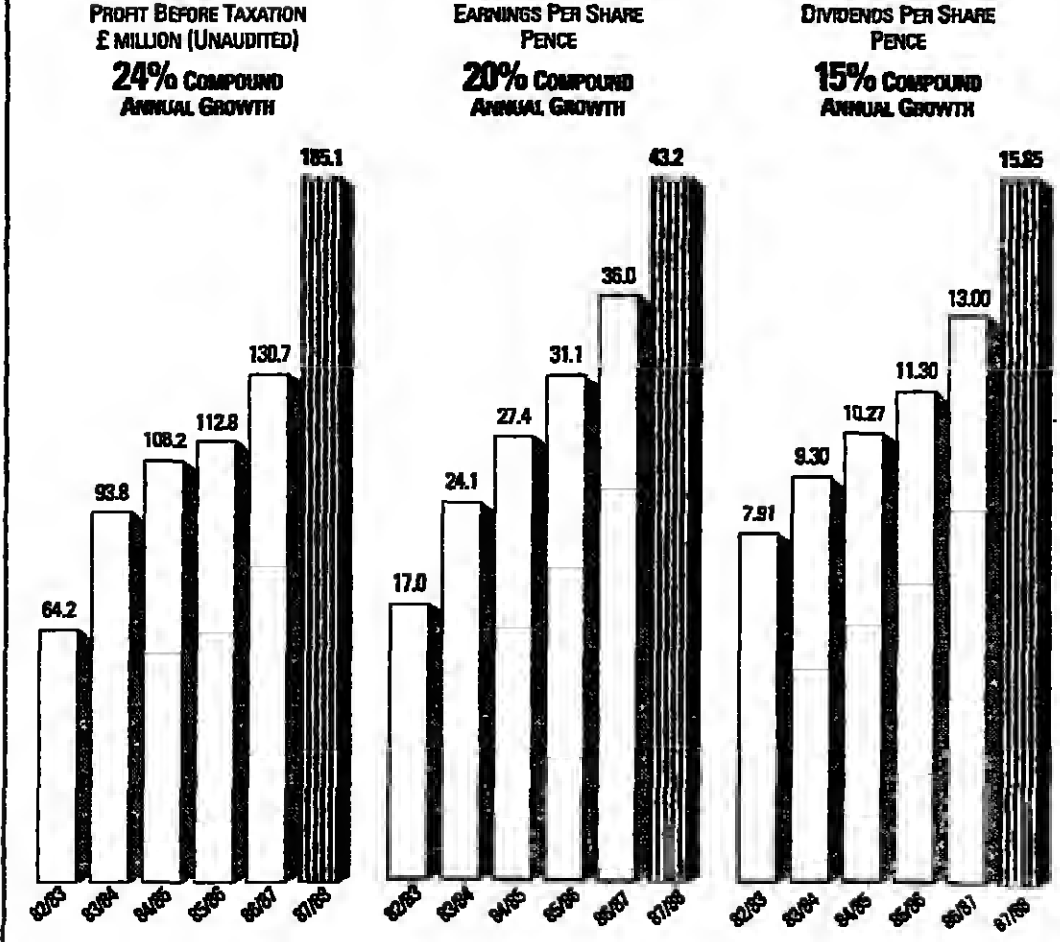
In this case the buy-out - likely to be the second largest in the UK after MFI - has been organised by CIN Venture Managers, and includes as equity backers British Coal pension funds, British Rail pension funds, the venture capital group, Globe Investment Trust, Citicorp Venture Capital and Presidential Venture Managers. Chemical Bank is arranging the debt facilities. The group will keep the Reed name until it floats once more.

Reed's North American mill, although modernised, is old. Even so the current shortage of capacity in the newsprint market is likely to make it a desirable property, given the expense and time taken to build new mills.

# Redland 1988

## KEY RESULTS

- ★ Profit up 42%
- ★ Earnings per share up 20%
- ★ Final dividend up 25%
- ★ A strong start to the new year



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**Redland** FT

# Beazer extends bid again

By Philip Coggan

Beazer, the UK construction and housebuilding company, has extended yet again its £1.7bn (£914m) offer for Koppers, the US aggregates and chemicals group.

The offer has been extended until midnight tonight. About 19.74m shares, 70.2 per cent of Koppers' ordinary equity, have been validly tendered and not withdrawn; in addition, BNS, the company specially created to make the bid, owns 7.4 per cent of the equity outright.

The bid is being delayed by the courts. A hearing in a Pittsburgh court to discuss the financing is scheduled for May 31; there is an anti-trust case in California; and

# Laing plans office park

By Andrew Taylor, Construction Correspondent

John Laing, construction engineer, yesterday announced details of proposals to build a 280,000 sq ft office park on part of its headquarters site at Page Street, Mill Hill, London.

The development, which will be let to outside tenants and sold to investment institutions, is expected to have a completed trading period of £44m. Details of the scheme were announced to shareholders at Laing's annual meeting yesterday.

Laing also revealed the sale of just under a third of its 25 per cent stake in Europistas, a privately-owned Spanish motorway concession company, on the Madrid stock exchange. The disposal is thought to have raised around £12m.

The company has, in the last few days, announced details of a joint venture with BAH, financial services group, to provide vehicle fleet management services to corporate customers. The venture, which starts with around 4,000 vehicles, is to be called Laing Fleet Services.

Laing is also developing the former SBD site at Maple Cross, Hertfordshire, where it has planning permission for 100,000 sq ft of offices. Construction is due to begin in September.

## IN BRIEF

**ALPHAMERIC:** Acceptances have been received in respect of 3.72m shares (98.6 per cent) offered under the rights issue.

**CRANBROOK ELECTRONIC Holdings,** USM-quoted electronic component distributor, achieved pre-tax profits of £75,000 (£85,000) for six months to end-March and is to pay a maiden interim dividend of 0.5p, from earnings of 0.8p (0.8p) per 5p share. Turnover £4.34m (£4.34m).

**MURRAY TECHNOLOGY Investments:** net asset value at March 31 1988 stood at 83.79p, against 107.06p a year earlier. Revenue £122,410 (£99,629) before tax of £36,493 (£32,921). Earnings per share came out at 0.57p (0.49p). The single final dividend is held at 0.4p.

**BOYSCOT FINANCE Group,** part of the Royal Bank of Scotland, raised pre-tax profits from £12m to £12.9m in the six months to March 31 1988.

**J. SMART & CO (Contractors),** building and public works contractor, reported pre-tax profits of £1.12m (£690,000) for the half year to end-January 1988. Turnover was £6.8m (£5.02m). There was an extraordinary gain of £225,000, relating to the disposal of the ready-mixed concrete interest in Fife. Earnings per 10p share 7.22p (4.28p). Interim dividend 1.6p (1.45p).

**TATE & LYLE rights issue** has been taken up in respect of 183.12m units of partly-paid stock (85.3 per cent).

**WARNER ESTATE Holdings (property investment):** Pre-tax profits £2.33m (£2.14m) for six months to March 31 1988 on turnover of £6.24m (£5.91m). Interim dividend 2p (1.7p) and earnings 3.2p adjusted (2.8p) per 5p share.

This advertisement complies with the requirements of the Council of The Stock Exchange of the United Kingdom and the Republic of Ireland.

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Application has been made to the Council of The Stock Exchange in London for the Stock to be admitted to the Official List.

The gross redemption yield (calculated in accordance with the terms of the Listing Particulars dated 26th May, 1988) of the Stock is 11.097 per cent. Interest will be payable half yearly in arrears on 2nd June and 2nd December.

Particulars of the Stock are available in the statistical services of Essex Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours on any weekday, Saturdays and public holidays excepted, up to and including 31st May, 1988 from the Company Announcements Office of The Stock Exchange and up to and including 10th June, 1988 from:-

**Enterprise Oil plc,**  
5 Strand,  
London WC2N 5SH.

**Hill Samuel Registrars Limited,**  
6 Greencoat Place,  
London SW1P 1PL.

27th May, 1988



# All-round growth boosts Redland 42% to £185m

BY VANESSA HOULDER

Redland, building materials group, yesterday announced a 42 per cent increase in pre-tax profits to £185.1m for the year to March 26. The result was secured on turnover up 38 per cent to £1.8bn.

Roofing operations reported a 27 per cent increase in profits to £75.5m. With the exception of Australia, demand and profit growth were strong in all major markets.

Profits from aggregates were up 48 per cent to £66.1m, following an excellent second half performance from the UK business, aided by the mild winter and buoyant market conditions. In the US, Genstar Stone Products, in its first full year within the group, performed well above expectations.

The bricks division reported a

profits increase of 37 per cent to £25.4m. Other businesses contributed £29.2m, an increase of 44 per cent.

Net cash generation from operations was £22.5m, after £31.8m spent on acquisitions. Debt, net of cash balances, of £109.7m was mostly denominated in US dollars and D-Marks.

Geared at the year end was 21 per cent and the interest charge for the year of £11.1m was covered over 17 times.

The directors recommend a final dividend of 10.85p, making a total of 15.85p, an increase of 22 per cent.

● **Comment**

Although these results were much in line with expectations, a hullish line from the management caused the share price to leap by 16p to 406p. The company believes the past year's underperformance relative to the sector has been wholly undeserved - citing the solid earnings growth, the high yield of 5.4, the strong balance sheet and dividend growth and dominant position in many of its markets. Furthermore, with just 45 per cent of profits in the UK, it believes that it is well protected against a downturn in the buoyant UK construction market. That argument, however, cuts little ice with the pundits who believe in the strength of the UK market. And, scepticism about Redland's diversification into the plasterboard market remains unabated. Assuming pre-tax profits of £220m in the coming year, it is on a sector rating of 8.

# US group may raise stake in Cadbury

By Lisa Wood

General Cinema, the diversified US cinema chain and soft drinks bottler which holds an 18.4 per cent stake in Cadbury Schweppes, announced yesterday that it was prepared to pay up to \$1bn (£538m) for more shares.

At Cadbury's current share price of 377p - up 5p in heavy trading - this would enable General Cinema to buy more than 20 per cent more of the UK confectioner and soft drinks group. The US group would however have to mount a full bid if it went above a 29.9 per cent stake in Cadbury.

Analysts in London said they believed General Cinema was trying to flush out a bidder for its stake rather than having any intention of mounting a full bid.

General Cinema disclosed its increased credit limit this week in an amendment to the US Securities and Exchange Commission when it confirmed an increased holding in Cadbury. It said: "General Cinema has purchased an additional 4.6m shares. It intends to pay for them with borrowings under the multi-currency agreements."

It is understood that General Cinema has only drawn on \$10m of its credit facility, which has been increased from \$75m to \$1bn, but the shares bought this week for £16.2m have yet to be paid for.

# Rowntree stresses value of brands

BY DAVID WALLER

Rowntree's 1987 annual report was a sumptuous affair, plump with glossy photos displaying the company's famous portfolio of brands to their best advantage. It also contained a bald statement of corporate philosophy: "Rowntree exists to market branded products to consumers throughout the world at a profit for its shareholders."

The company's long-awaited defence document, posted to shareholders yesterday, picks up where the report and accounts left off. It aims to prove why Rowntree's brands are valuable and how the company's strategy, founded on their exploitation, is designed to maximise profits. It also aims to demonstrate that Rowntree can achieve its potential without help from Nestlé or Jacobs Suchard.

The argument is huzzessed with a forecast for 1988 shows trading profits in Europe up by 30 per cent to £15.3m, on sales up from £300.4m to £312.7m. At this

level, the margin of 4.9 per cent still falls a long way short of the 12.7 per cent to be achieved in the UK this year (up from 11.6 per cent), but the aim is "to repeat throughout continental Europe the success Rowntree has achieved in the UK", and to become Europe's number one confectionery company.

● In line with an emphasis on increasing margins as well as market share, further productivity improvements will be sought. Rowntree points out that it has spent £400m over the past five years improving its manufacturing facilities. Again it cites the example of Kit Kat, where labour hours per tonne of confectionery produced have fallen by 45 per cent over the same period. Last year, there was a 9 per cent improvement in productivity. "In our manufacturing strategy, we are planning for an increase in this rate of improvement over the next few years."

● Rowntree has the financial resources to maximise the potential of its brands without Nestlé, and is already capturing benefits of scale in Europe by manufacturing high volume brands in dedicated plants. Nestlé, the document contends, has lost market share in certain key brands in recent years, and needs Rowntree more than Rowntree needs it.

Sales are predicted to rise by 5 per cent to £1,265bn, earnings per share by 15 per cent to 47p and the dividend by 19 per cent to 18.5p per share. Overall trading margins are forecast to improve by 13 per cent, from 9.4 to 10.6 per cent.

On the specific question of price, Rowntree says that Nestlé's 880p a share offer, valuing the company at £2.1bn, does not represent the inherent value of the its unique portfolio of brands, "let alone their worth to Nestlé". Mr Kenneth Dixon, Rowntree chairman, said that the same argument applied to Suchard's offer at 850p.

# Coloroll has 43% of Crowther

BY ALICE RAWSTHORN

Coloroll, the home furnishings concern, yesterday announced that it controls 43 per cent of Crowther, the textile company for which it is fighting a bid battle with the Thomas Robinson engineering group.

Robinson spent almost £2.5m yesterday in buying 1.3m Crowther shares, thereby increasing its holding in the textile group to more than 4 per cent.

By the time the stock market closed yesterday, Coloroll, which

is advised by SG Warburg, had received acceptances for 32.4m Crowther shares, or 27 per cent of its equity. It already owns 14.9 per cent of Crowther's stock - the maximum permissible for an all-share bid - and has received incomplete acceptances for 324,506 shares, or nearly 1 per cent.

The £217m Coloroll offer reaches its third closing date tomorrow. Since the second closing date, last Friday, it has received acceptances for 6.2m shares (or for 7.1m including incomplete acceptances) or more than 5 per cent of the group.

Some of the large institutional shareholders in Crowther have yet to decide which offer to accept.

Robinson's share price fell by 12p to 387p yesterday following its purchase of 1.3m Crowther shares. Coloroll's share price rose by 2p to 194p, while the Crowther shares rallied by 1p to 194p.

# Enterprise plans to raise £170m

BY MAX WILKINSON, RESOURCES EDITOR

Enterprise Oil, the largest UK independent oil company, announced yesterday that it is to raise about £170m of loan finance in London and the US.

The cash will be used to finance a series of development projects over the next five years.

The £100m unsecured loan stock to be issued in the UK will be repayable in 25 years. A private placement of £70m (567m) of Senior Notes with a 20-year maturity will be made among US institutions.

The placing of the UK 10.75 per cent loan stock was completed yesterday at an issue price of 97.083 per £100 of stock, giving a yield of 11.057 per cent.

Over the next five years, Enterprise plans to spend £470m on its North Sea developments, which are expected to double its oil and gas production to more than 100,000 barrels per day by the mid-1990s.

About 40 per cent of the expenditure will be on the Nelson field, which Enterprise discovered in March this year after a series of manoeuvres to buy out the stakes of some of its partners in the block in which the field was discovered. As a result Enterprise stands to get about 100m barrels of Nelson's estimated recoverable reserves of 150m-170m barrels.

The lead managers of the debt issue are Barclays de Zoete Wedd and SG Warburg, the merchant bank. This is the first public issue of debt securities by Enterprise, which had a net cash balance of £130m at the end of 1987.

# Reorganisation for J Jarvis

J Jarvis & Sons, building and property company, is being reorganised. A new holding company, J Jarvis Holdings will be formed, of which the building and property divisions will be wholly-owned subsidiaries.

Shareholders are being asked to accept one share in the new company for each old share. Mr A.M. Gammage and Mr P.C.R. Rogers are joining the holding company board.

# Finsbury keeps Rea stake

BY CLARE PEARSON

THE INDEPENDENCE of Rea Brothers, recently in the balance, seemed assured yesterday when it emerged that holders of 35.9 per cent of the voting capital planned to hold on to their shares.

Finsbury Asset Management, which earlier this year announced it was reviewing its options, has told Rea's board it will not be selling its shares. "The message shall be continuing as an independent bank," said Sir John Hill, chairman.

Mr William Salomon, a director of Finsbury and the son of Rea's late founder Sir Walter Salomon, is joining the bank's board.

At yesterday's annual meeting, Finsbury voted down a proposed 1.1p dividend which Rea had forecast last year. Finsbury said keeping the cash in the business was a demonstration of faith in the management's ability to restore profitability.

The dividend had been in line with forecasts made by Rea before last October's stock market crash. Rea's pre-tax profits in the year to end December fell from £2.44m to £1.32m.

Finsbury said in February it had appointed Phoenix Securities, the corporate finance subsidiary of the Morgan Grenfell group, to advise it.

# Marshalls Halifax advances 36%

A 21 per cent rise in turnover and higher margins pushed pre-tax profits at Marshalls Halifax up 36 per cent from £9.58m to £13.12m for the year to end-March 1988. The figure was struck after deducting £300,000 for the employee profit sharing scheme.

Turnover for the Yorkshire-based concrete products company was £105.1m, against £86.58m for the previous year.

Mr David Marshall, chairman, said the company had spent

£10.7m on plant and machinery, but total borrowings had only increased modestly. He said that efficient production and a concerted marketing effort had led to improved profit margins in the face of continuing strong competition.

After increased tax of £4.56m (£3.44m), earnings came out at 20.77p (15.52p). The directors have proposed a final dividend of 3.25p (4.5p), making a total of 7.25p (6.25p).

## DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Airflow	4	-	2.75	5	3
Assoc. Fisheries	1.75p	Aug 11	1.75	2.75	2.75
Cardless Copel	3.6	-	2.75	5	3.75
Cestings	0.5	July 1	-	-	0.5
Crambrook	1.9	Aug 15	1.9	4.32	5.21
Dobson Park Inds	3	July 7	2.75	4.32	4.11
Globe Inv. Trust	3	July 29	2.65	4.35	3.85
Harvester Truss	1.48p	Oct 3	1.2	2.6	2.2
Hazlewood Foods	2.24	July 28	2	-	7.65
Irish Distillers	2.7	July 15	2.25	2.9	3.25
Lep Group	5.25p	Oct 3	4.5	7.25	6.25
Marston Thompson	2.05	-	1.77	2.9	2.55
Murray Tech Inv	0.4	-	0.4	0.4	0.4
Parkland Textile	3.9	July 14	3.4	5.7	5
Plessey	4.25	July 14	3.41	6.66	5.79p
RHP	2.41	July 14	2.2	4.6	4.3
Redland	10.85	Oct 1	8.68	15.85	13
Scottish Inv.	1	July 20	0.87	-	2.48p
Smart (J) & Co	1.6	July 11	1.45	-	3.25
Warner Estate	2	-	1.1	-	5.4
Whessoe	1	-	1.82	-	5.85
Wolv. & Dudley	2.15	-	4.5	9.2	8.5
Young and Co	4.7	-	-	-	-

Dividends shown pence per share net except where otherwise stated. \*Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. ‡US\$M stock. §Unquoted stock. ¶Third market. †Irish pence. ‡For 53 weeks.

## Notice of Redemption

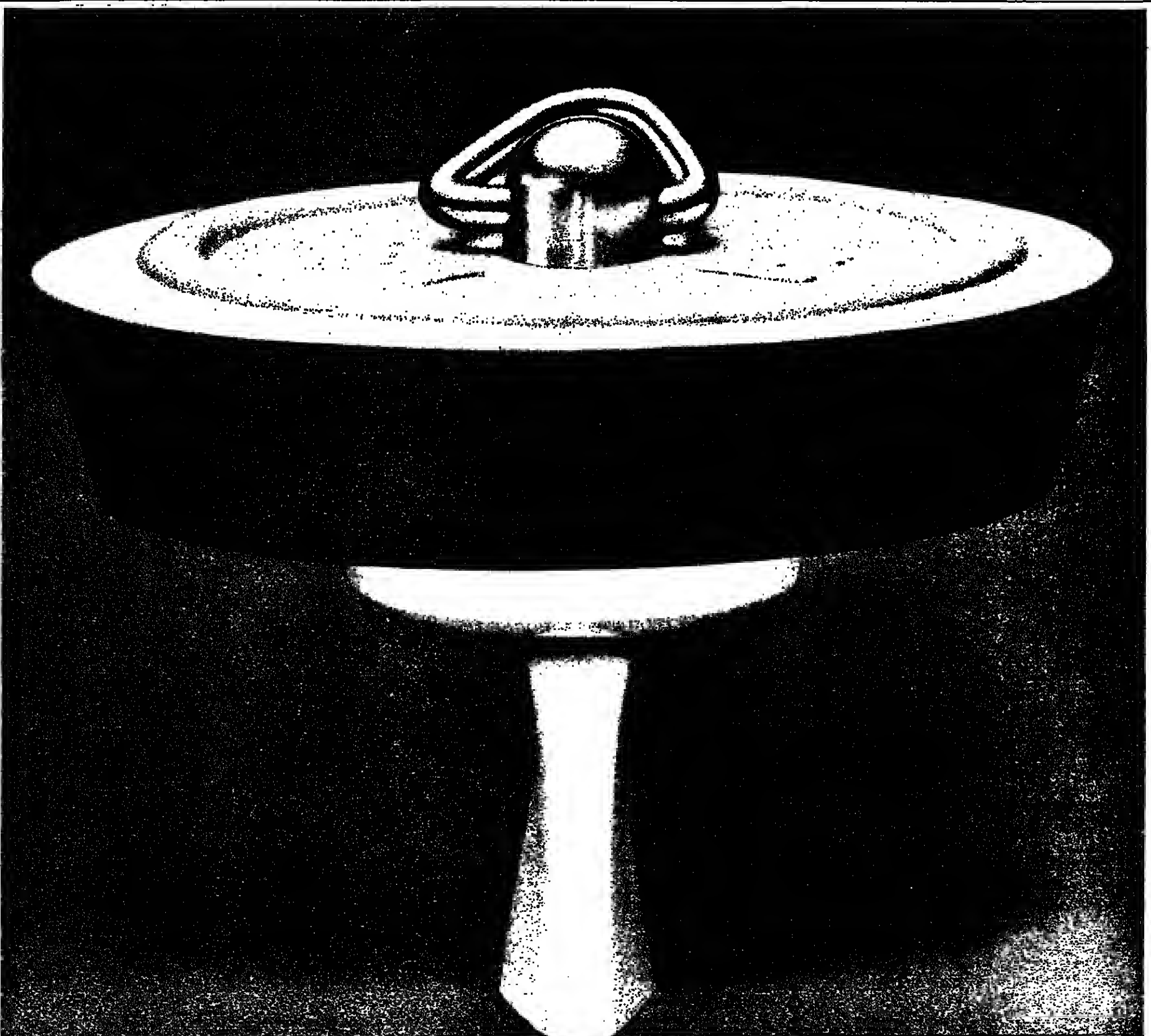
### United Mexican States 18 1/2% Retractable Bonds Due 1997

NOTICE IS HEREBY GIVEN that in accordance with Condition 5(c) of the Terms and Conditions of the Bonds, the Issuer will redeem all of the Bonds at their principal amount on the next interest payment date, 21st July, 1988, when interest on the Bonds will cease to accrue. Repayment of principal will be made upon presentation and surrender of the Bonds, with all unattached coupons attached, at the offices of any of the Paying Agents listed below.

- Banque Indosuez Belgique S.A. rue des Colonies 40 B-1000 Brussels
- Bankers Trust Company 69 Old Broad Street London EC2P 2EE
- Bankers Trust GmbH P.O. Box 2665 Bockenheimer Landstrasse 39 6000 Frankfurt am Main
- Bankers Trust Company 12-14 Rond-Point des Champs Elysees 75386 Paris, Cedex 08
- Banque Indosuez Luxembourg 39 Allée Scheffers Luxembourg L-2520
- Swiss Bank Corporation 1 Aeschenvorstadt CH-4002 Basle
- Bankers Trust A.G. Dreikoenigsstrasse 6 CH-8022 Zurich
- Bankers Trust Company Four Albany Street New York, New York 10015

Accrued interest due 21st July, 1988 will be paid in the normal manner on or after that date against presentation of coupon No. 6.

Bankers Trust Company, London Agent Bank 27th May, 1988



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PROFIT FOR YEAR TO 31 MARCH, 1988 - £24.6M

TOTAL DIVIDEND FOR YEAR TO 31 MARCH, 1988 - UP 10% 4.52P PER SHARE

To: Anne Rogers, Globe Group Services Limited, FREEPOST, Electra House, Temple Place, London WC2R 3BR. Telephone 01-836 7766.

Please send me further information on Globe Investment Trust PLC.

Name \_\_\_\_\_  
Address \_\_\_\_\_  
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You should note that the value of your investment can go down as well as up and past performance is no guarantee of future performance.

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UK COMPANY NEWS

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Please send me details of your Plans

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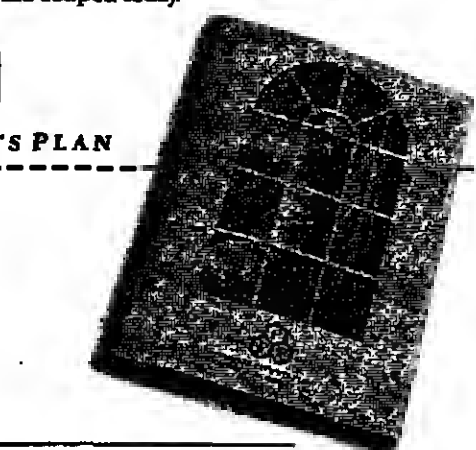
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Position \_\_\_\_\_

Company \_\_\_\_\_

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EARNINGS PER SHARE

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1987 Financial Highlights		
	1987	1986
Profit on ordinary activities before taxation	£116.2	£86.1
Earnings for ordinary shareholders	63.1	42.7
Earnings per ordinary share	73.7p	50.2p
Dividends per ordinary share (net)	27.0p	21.0p

The Group's significant strengths are spearheaded by our UK and Far East operations, with notable support from Europe and South East Asia.

Inchcape's market-leading companies include Mann Egerton, Toyota (GB), Bain Clarkson, Gray Mackenzie, the Assam and Borneo Companies plus other worldwide concerns covering our principal activities of services, resources and marketing and distribution.

With a strong base of both local and international management, together with a clearly defined strategy, Inchcape is now well equipped to develop and prosper in the years ahead.

George Turnbull  
Chairman and Chief Executive

For a copy of our 1987 Report and Accounts, please write to Diana Le Lievre, Inchcape PLC, 40 St Mary Axe, London EC3A 8EU.

## Inchcape

THE INTERNATIONAL SERVICES AND MARKETING GROUP

UK'S LARGEST INVESTMENT TRUST REPORTS LOWER ASSET VALUE

## Globe hampered by dull dollar

Globe Investment Trust, Britain's largest investment trust, yesterday reported a 7.5 per cent rise to £24.6m in attributable profits for the year to end-March. But last October's stock market crash meant that for the first time in six years its net asset value has fallen.

Mr David Hardy, chairman, said that aside from the major market correction of last October, Globe's performance was hampered by the weakness of the dollar and the relative underperformance of the US stock market. While the bulk of Globe's investments remain in the UK, the percentage declined from 66 per cent to 71 per cent over the year, with the North American content rising from 13 per cent to 18 per cent. The portion in Japan increased from 8 per cent to 9 per cent.

Globe will have increased its full year payout by 10 per cent to 4.52p. This compares with a 8.5 per cent rise in fully diluted earnings per share to 4.72p, and means that Globe is continuing to raise its dividend noticeably faster than the growth in the UK retail price index.

Mr Hardy noted that over the last 20 years dividends had increased 70 per cent more than inflation, but warned that since many of the most attractive investments tend to have relatively low yields, the pace of dividend growth will not be as pronounced as in the past, and shareholders "should now expect dividend increases perhaps more in line with inflation".

The group narrowly missed meeting its other long-term objective - growing its net asset value faster than the rise in the

FT All-Share Index. Net assets per share fell by 11.1 per cent to 170.62p while the UK equity market fell by 10.3 per cent over the same period. However, Mr Hardy stressed that in terms of total return Globe continued to perform well, and instanced a £1,000 investment which over 5 years would have returned £2,795, compared with £2,291 for the average investment trust, and £2,161 for the average unit trust.

Globe's unquoted investments equated to around 10 per cent of the total - continued to perform better than the quoted investments where substantial holdings in British & Commonwealth, Hanson and Maxwell Communications held back the performance. Globe's unquoted investments achieved a return of 38.7 per cent on average capital employed.

**Comment**  
Globe was reasonably well placed ahead of last October's crash, having £10m in cash, and has been slow to reinvest this money given that it believes that there is a bear market in place in London and New York, at least. Like many of its peers it has suffered from having too little of its money in Japan, but is sufficiently confident that the dollar is close to bottoming that it has been shifting money into the US currency, if not the stock market. Given its size, it is difficult for it to turn in anything other than an average performance for the investment trust sector. At 133p, Globe is standing at a 23 per cent discount to its current estimated net asset value of 174p. The main attraction is a yield of 4.5 per cent, which is almost 50 per cent above the sector.

## W&D moves up 16% to £11m

BY LISA WOOD

Wolverhampton & Dudley Breweries, the regional brewer which trades under the Bank's and Hanson's banner, yesterday reported pre-tax profits of £11.2m for the half year to March 27, an increase of 16.4 per cent on the corresponding period last year.

The result, which included a £135,000 contribution from property disposals - less than half that of last year - was in line with City expectations. Earnings per share were up by 16.7 per cent to 11.2p with the interim dividend, up 18.1 per cent to 2.15p, reflecting the board's confidence in its business.

Mr David Thompson, managing director, said that volumes of both ales and lagers - W&D distributes the Harp brand - were up and that price increases last September helped increase margins from 16.2 to 17.1 per cent.

Mr Thompson said that although pub refurbishment had

led to higher margins it had not necessarily meant that more beer was consumed. More food was eaten at lunch-time with a higher proportion of customers being women.

Wines and spirits, he said, advanced strongly with a "significant" increase in profit contribution. Gaming machines, said Mr Thompson, had done very well, super spending in the Midlands. Mr Thompson said the economic recovery in the trading region had led to more land development, making it easier to acquire new sites for pubs. In the year W&D had either acquired or built 13 new pubs.

This year W&D acquired 61 pubs from Higon Corporation. Mr Thompson said these pubs gave W&D access to new trading areas which include Northamptonshire and Warwickshire. These pubs will not provide a significant con-

tribution in the second half.

**Comment**

Wolverhampton & Dudley was bullish yesterday about the economic prospects in its trading areas, with increased employment in the West Midlands and the north-west filtering through to its beer sales. Customers are already spending more on premium lagers, with pub refurbishment bringing in additional trade. Britain's regional brewers have traditionally based their reputations on ales so that the national increase in the consumption of lager has weakened many of their results. However W&D has increased sales of both its ales and its lagers in a marketplace where the likes of Bass are tough competition. The company hopes to increase its free trade and hold its premium pricing of brands sold to supermarkets. Analysts are looking for full-year pre-tax profits of about £26m putting the shares, up 3p yesterday to 402p, on a prospective p/e of 15.

## Reconstruction of free trade hits Young

Young and Co, South London brewer, reported pre-tax profits of £3.58m for the year to March 31 1988 compared with £3.58m for the previous year, writes Lisa Wood.

Turnover amounted to £62.8m (vs £61.5m). Gains on sales of property totalled £125,270 compared with a £11,296 loss last year. Costs involved in the reconstruction of the group's free trade amounted to £209,279 and were taken above the line. The move was taken, the directors said, to enable the group to "cope better in this highly competitive market".

A final dividend of 4.7p is proposed making a total of 9.2p (8.5p). Earnings per share were 17.2p against 17.1p last time.

The directors said profits had been maintained through an increase in retail profits but depressed by a fall in beer volumes. Spending on repairs and improvements to property were more than last year but viewed as an investment in the future.

## Approach may lead to bid for Jersey General Inv

BY NIKKI TAIT

A BID MAY be on the way for Jersey General Investment Trust, a £48m St Helier-based fund. The company announced yesterday that it had received an approach which may or may not lead to an offer being made.

Neither the chairman nor its adviser, Lazard Brothers, would elaborate on the statement, beyond saying that a further announcement would be made in due course and advising shareholders to take no action at present. Shares in the little-traded trust remained steady at 430p. They have dropped back from a peak of 580p at the beginning of October.

Jersey General was set up in 1981 as an investment trust vehicle

for Jersey residents, and has its own investment manager. Yesterday it said there were still about 18,000 individual shareholders, predominantly Jersey residents, accounting for about 60 per cent of the shares. There are no disclosed stakes in the ordinary shares.

Recent figures from the company showed net assets per ordinary share of 489p as at end-April, although the current Datastream estimate is slightly lower at 487.5p suggesting a current discount of about 13.4 per cent. At end-April, UK investments accounted for about 63 per cent of the equity portfolio and the US, 17 per cent.

## LEP at £11m and plans gearing cut

BY ANDREW HILL

LEP Group, freight forwarding, property and security group, increased profits by 25 per cent to £11.1m before tax in the year to December 31, from £8.8m in 1986. Turnover rose from £88m to £93m and earnings per share were up 23 per cent to 7.4p (6p).

The company is negotiating a complex deal to raise a £40m cash surplus on LEP House in London, its recently completed warehouse property near St Paul's Cathedral. This should reduce net gearing from 80 per cent at the year-end to 20 per cent. The deal will involve setting up an associate company, which will use the office block as security for the issue of a seven-year bond. LEP also intends to acquire the balance of shares in National Guardian Corporation (NGC), a US security services company in which it already holds 40.6 per cent. The merger proposal will be put to LEP shareholders at the annual meeting in July.

In 1987 the company lost more than £2m on its Austrian freight forwarding business and included rationalisation costs of £5.1m as an extraordinary loss.

Freight forwarding accounts for the bulk of group turnover. Mr John Reed, chairman, said the company intended to use computers to improve margins in the business. The US freight forwarding operation was boosted by the acquisition of 56 per cent of Profit Systems (PSI).

LEP said Swift Transport Services, which distributes industrial components in the UK, mainly to the automotive industry, also performed well. Profits at LEP Industrial Holdings, the diversified distribution subsidiary, were cut by some £500,000, representing the cost of integrating two previously independent businesses.

An increased final dividend of 2.7p is recommended, making 3.9p (3.25p) for the year.

**Comment**

LEP has developed a wide, diversified spread, from property to security services, via industrial component distribution. The core freight forwarding business will

## Pub sales help Marston to £12.9m

Marston, Thompson & Evershed, the Barton-on-Trent brewer of Pedigree lagers, reported pre-tax profits of £12.9m for the year to March 25 1988 compared with £11.4m the previous year, writes Lisa Wood.

This increase was assisted by a £511,000 (£332,000) profit on the sale of pubs.

The board proposed a final dividend of 2.05p making a total of 2.5p (2.50p). Earnings per share worked through at 7.74p (8.35p). Marston said sales of lager increased but ale sales fell

roughly in line with the market. However Marston's Pedigree continued to gain market share. Low "C", the company's low carbohydrate pale ale, performed well. Marston said it would concentrate more marketing effort behind these two brands.

Marston said sales to the free trade were down, partly because of a net disinvestment of £1.6m in trade-in loans. Instead of discounting loans it might start discounting sales because it wanted to maintain or even gain market share.

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any securities.

### CLF Holdings PLC

(Registered in England No. 1476580)

Rights Issue of 22,601,365

Convertible Cumulative Redeemable Preference shares of 50p each at £1 per share (having attached thereto the right to a fixed annual dividend of 6.25p (net) per share) ("Convertible Preference Shares")

This advertisement appears in connection with the rights issue of 22,601,365 Convertible Preference Shares by CLF Holdings PLC. The Convertible Preference Shares have been admitted to the Official List by the Council of the Stock Exchange.

Copies of the listing particulars relating to CLF Holdings PLC and the Convertible Preference Shares are available in the statistical services maintained by Exel Statistical Services. Copies of the listing particulars may also be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) from the Company Announcements Office of The Stock Exchange up to and including 1st June 1988 and up to and including 16th June 1988 from:

- |   |   |
|---|---|
| CLF Holdings PLC<br>The Quadrant<br>4 Clifton Street<br>London EC2A 4BT               | N M Rothschild & Sons Limited<br>New Court<br>St. Swithin's Lane<br>London EC4P 4DU |
| CL-Henderson Leung & Cruckshank<br>Piercy House<br>7 Copley Avenue<br>London EC2R 7BE | de Zoete & Berran Limited<br>Esplanade House<br>2 Swan Lane<br>London EC4R 3TS      |

27th May 1988

This notice is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. Application forms may be sent to the Council of the Stock Exchange for the grant of permission to deal in the Company's Ordinary shares, issued and to be issued, in the United Securities Market. It is emphasised that no application has been made for these shares to be admitted to listing. It is expected that dealings will commence on Thursday, 2nd June 1988.

## SOUTHNEWS plc

(Incorporated in England and Wales under the Companies Act 1985. Registered No. 1293909)

Southnews plc is a publisher of paid-for and free local newspapers and currently publishes 16 weekly titles in South East England.

Placed by Hill Samuel & Co. Limited of 3,125,000 Ordinary shares of 5p each at 160p per share

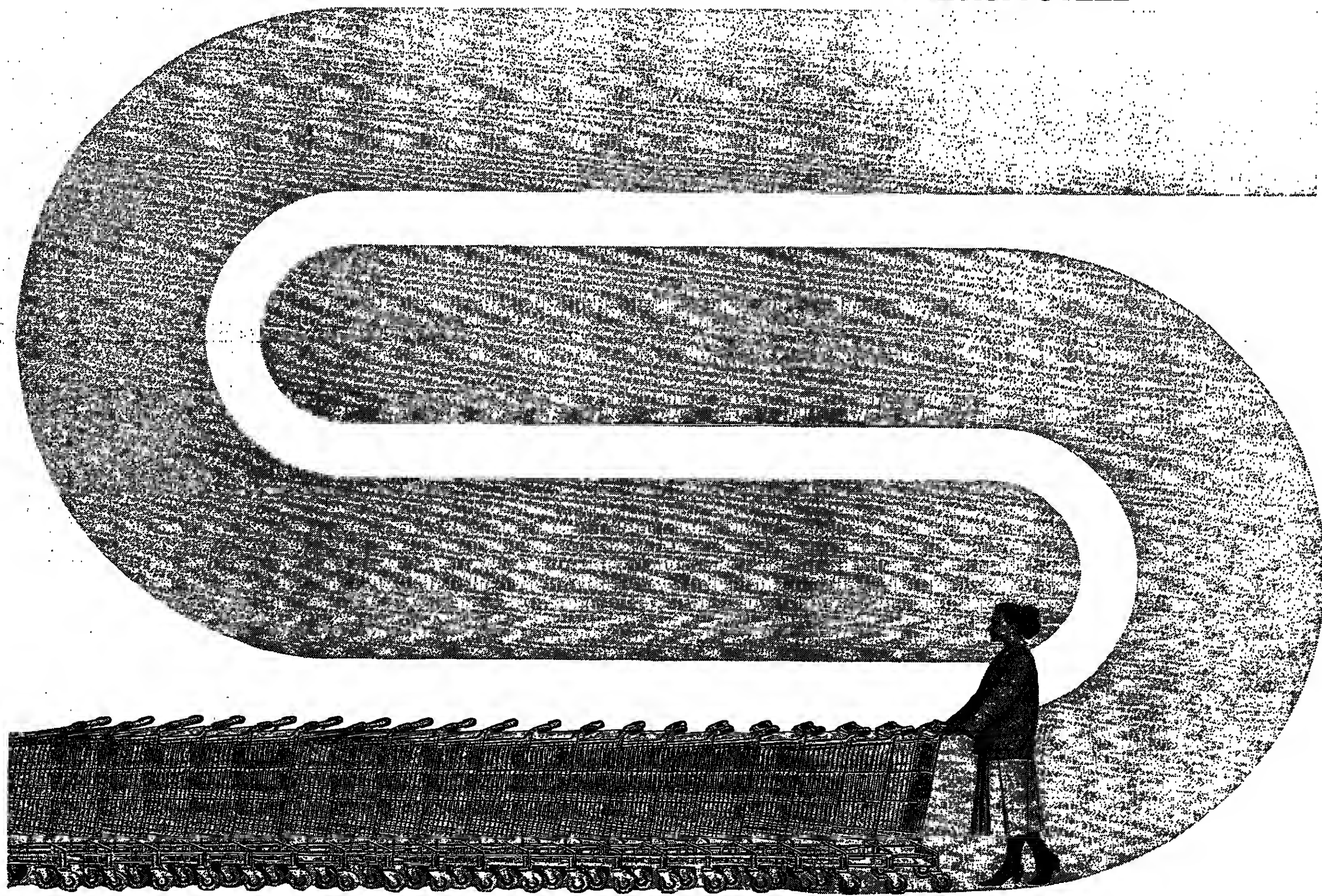
Authorised £1,035,000  
Share Capital Issued and to be issued fully paid £757,708

Hill Samuel & Co. Limited has arranged for 75 per cent of the Ordinary shares made available in the Placing to be placed by Country NatWest Wood Mackenzie & Co. Limited with its clients and the remaining 25 per cent of such Ordinary shares have been allocated to Freeman Gordon & Co. Limited for distribution to its clients.

Full particulars of the Company are available through the Exel Unlisted Securities Market Service and copies may be obtained during normal business hours on any weekday (Saturdays and bank holidays excepted) up to and including 10th June 1988, from Hill Samuel & Co. Limited, Country NatWest Wood Mackenzie & Co. Limited, 100 Wood Street, London EC2P 2AJ, 90-91 Wood Street, London EC2V 7HS, and during normal business hours on 31st May and 1st June 1988, from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD. 27th May 1988



## SUPER MARKETING BY BRITISH STEEL



As you push your hard-wearing British steel trolley past shelves full of lightweight British steel cans, you may reflect that steel is just about everywhere.

And very much taken for granted.

Now there's little future in being taken for granted. So instead, we go out and sell.

In an industry as competitive as ours, this requires more than a caseful of samples.

It even requires more than large quantities of

high-quality steel, backed by full customer service.

It requires the development of the markets themselves, at home and abroad.

So we've put a lot of effort and resources into our marketing activities to back up our salesforce.

But their main weapons, of course, are the products themselves. Such as coated steels for domestic appliances, high-strength steels for the oil and gas industries, lighter steels for making cars, lovelier steels for cladding buildings.

Manufacturing such a wide range of tough and precise steels has helped to make our business strong.

So has reducing costs and increasing productivity.

We exceeded last year's £178 million profit in the first half of this year.

To any remaining doubters, British Steel's performance demonstrates one thing for sure:

We haven't been left on the shelf.



UK COMPANY NEWS

This advertisement is issued in compliance with the requirements of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited. It does not constitute an invitation to the public to subscribe for or purchase any securities of Royal Insurance Holdings plc.



Royal Insurance

Royal Insurance Holdings plc

(Incorporated in England and Wales under the Companies Act 1985. Registered Number 2221960)

Issue of 476,614,655 shares of 25p each pursuant to a Scheme of Arrangement dated 28th March, 1988 under Section 425 of the Companies Act 1985 between Royal Insurance Public Limited Company and the holders of Royal Insurance Shares (as defined in such Scheme).

The Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited has admitted the whole of the issued share capital of Royal Insurance Holdings plc to the Official List.

Listing Particulars are available in the Extel Statistical Services and copies of the Listing Particulars may be obtained during usual business hours on any week day (except Saturdays and public holidays) up to and including 10th June, 1988 from:

Royal Insurance Holdings plc,  
1 Cornhill,  
London EC3V 3QR  
and  
Hoare Govett Corporate Finance Limited,  
4 Broadgate,  
London EC2M 7LE

Copies of the Listing Particulars will also be available until 1st June, 1988, for collection only, from the Company Announcements Office, The Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD.

27th May 1988

JOHNSTON GROUP PLC

Road maintenance specialists, mechanical and hydraulic engineers, civil engineers, builders and property developers, concrete and g.r.p. pipe manufacturers and roadstone suppliers.

The following are extracts from the Chairman's Statement and review of operations included in the 1987 Report and Accounts and should be read in the context of it.

- \* Record results achieved in a year of consolidation.
- \* Increased dividend covered more than four times by earnings.
- \* Well placed for future expansion with a record capital expenditure programme.

Financial highlights	1987	1986	1985
Turnover	79,478	74,806	62,092
Profit before tax	7,288	6,940	5,546
Dividend per ordinary share	10.0p	9.0p	7.5p
Net asset value per ordinary share	321.7p	304.7p	273.0p

Copies of the Annual Report and Accounts may be obtained from the Secretary, Johnston House, Hatchlands Road, Redhill, Surrey RH1 1BG

Hazlewood rises 81% boosted by acquisitions

BY PHILIP COGGAN

Hazlewood Foods said yesterday that it had no intention of bidding "in the present circumstances" for Northern Foods, fellow food manufacturer, in which it has built a 3.2 per cent stake. The statement, which accompanied an 81 per cent jump in preliminary pre-tax profits to £33.52m (£18.85m), caused Hazlewood's share price to jump 8p to 230p, while Northern's fell 8p to 284p.

Turnover was 91 per cent higher at £381.4m (£189.2m). The final dividend is 1.475p (1.2p), making a total of 2.6p (2.3p). Speculation that Hazlewood might bid for Northern was encouraged by the recent appointment to the board of Mr John Randall, who last control of his food company, Avana, last year after Northern sold a key stake to Ranks Hovis McDougall. But Mr Dennis Jones, Hazlewood's finance director, said that the company had been looking at Northern for several months before Mr Randall came on board.

In its statement, Hazlewood said that "price expectations in the food sector of the stock market became inflated by the events surrounding the Nestlé bid for Rowntree. Hazlewood would not make an acquisition on terms which would impair its future earnings per share growth".

The company has achieved compound earnings per share growth of 30 per cent per annum over the past five years. In the year just reported, to March 31 1988, earnings grew 34 per cent to 12.5p (9.5p).

Hazlewood's growth has been fuelled by a large number of small acquisitions in niche food businesses. In the last year, it spent some £50m on acquisitions and £21m on capital expenditure. Acquisitions contributed £6.8m of the £15.2m increase in pre-tax profits and £8m of the £17.2m rise in turnover.

Since 1984, Hazlewood has made several acquisitions in Europe and overseas businesses now contribute about 155m to turnover and £7.2m to pre-tax profit.

The company's only significant problem area was pickles where competitive pressures caused margins to be squeezed and led to a £1m shortfall in profits. However, Mr Jones said the pickles performance was outweighed by strong growth in other areas.

comment

Hazlewood's corporate formula, buying small companies and giving them marketing and distribution clout, has been so successful that investors are likely to be relieved that it has put at least a



John Randall: recent board appointment

temporary halt to its bid ambitions for Northern. A contested bid would probably just distract Hazlewood from exploiting the growth potential already within the group. There are plenty of opportunities for the company in the months before the end of the fiscal year. And the group is sufficiently diversified that it can surmount the problems of individual products, as happened with pickles last year. Assuming £45m pre-tax this year, the shares at 230p are on a prospective p/e of around 14.5, which seems a fair rating in the light of the company's record.

Restructuring helps lift Parkland 50% to £2.4m

BY ALICE RAWSTHORN

Parkland Textile (Holdings), Bradford-based wool textiles group, yesterday announced a 50 per cent rise in pre-tax profits to £2.4m for its last financial year on sales which rose by 12 per cent to £59.7m.

Mr John Hanson, managing director, said that the growth in profits reflected a good performance in every area following the group's reorganisation and its policy of concentrating on higher quality products. Earnings per share rose to 20.5p (15.4p) in the year to March 4. The directors propose a final dividend of 3.5p making 5.7p (5p) for the year.

Parkland emerged as one of the survivors of the slump which ravaged the Yorkshire wool industry in the early 1980s, but for several years it suffered from sluggish profits.

A young management team led by Mr Hanson and his brother, Paul, assistant managing director, took control of the company early last year. The business has since been restructured by improving financial controls and disposing of unwanted businesses.

The yarn division benefited from a strong performance from Knoll Spinning, which has just completed a £5m modernisation programme, and saw sales rise to £18.5m (£17.5m). Parkland has now restructured its yarn dyeing plant.

Fabrics sales increased to £24.5m (£21.5m). A new printing and finishing plant came on stream six months ago. Mr Hanson said that it had mitigated the potential problem of the rise in the wool price by weaving lighter weight cloths and blends.

The reorganisation of the clothing companies is not yet completed, but Maitland Menswear benefited from the buoyancy of the men's suits market and sales rose to £16.2m (£13.8m).

Mr Hanson said that the present year had "begun well" with "very healthy" order books.

comment

Parkland, once the archetype of a sleepy Yorkshire woolen mill, has found a new lease of life in the hands of its young management team. The strategy of tightening financial controls and steering products upmarket has worked well so far. Some of the improvement in last year's profits must, inevitably, have come from weeding out the past weaknesses. But there is also evidence that Parkland has gained ground within the marketplace. There is not only scope for further improvement but some of its recent investment should come to fruition this year. The prospects for the wool price are a cause for concern, as is the company's ability to continue to buck the downward trend within knitwear. Yet the City expects profits of £2.7m this year which leaves the shares, on a prospective p/e of 8, with further to go.

Castings up 46%

Castings, malleable ironfounders, lifted taxable profits by 46 per cent to £2.74m in the year to end March on turnover ahead from £14.65m to £17.63. A final dividend of 3.6p is recommended from earnings of 17.35p (12.67p) per 10p share, making a total of 5p (3.75p).

BOARD MEETINGS

Company	Date
British Airways	June 1
British Petroleum	June 1
British Telecom	June 1
British Waterways	June 1
British Airways	June 1
British Petroleum	June 1
British Telecom	June 1
British Waterways	June 1

Electronic purchases spark Dobson Park to £9.1m at halfway

BY CLAY HARRIS

A BRACE of industrial electronic acquisitions helped Dobson Park Industries, mining equipment and engineering group, to increase interim pre-tax profits by 28 per cent to £9.1m.

Dobson Park's first half closed on April 2, shortly after the failure of its £33m takeover bid for MS International, another diversified mining equipment manufacturer. This resulted in a £625,000 extraordinary dividend.

Although it still owns 28.5 per cent of MS, Dobson Park does not plan to include this proportion of MS profits in its own pre-tax results.

Most parts of the group had sound order books, Dobson Park said. It expected full-year trading results to exceed the 1987-87 figure. In line with past trends, however, performance in the second half was unlikely to match that in the first.

By division, operating profit came from mining equipment £4.07m (4.03m), industrial electronics £1.68m (£706,000), power tools £1.27m (£888,000), toys and plastics £545,000 (£894,000), property and investment management £1.52m (£535,000), and other engineering £24,000 (loss).

Much of the gain from electronics came from the inclusion of IRD Mechanicals and Reverse Corporation, two US companies which joined the group in February and July 1987 respectively. Turnover rose to £111.5m (£99.8m) and net interest receivable to £479,000 (£173,000). The

estimated tax charge is down to 34 per cent from 37 per cent in the comparable half, and 39 per cent for 1986-87 as a whole. Earnings per share rose by 10.8 per cent to 5.79p (5.21p). The interim dividend is unchanged at 1.5p.

comment

Dobson Park did well to achieve a small rise on the mining side despite the weakness of the world market. As in other divisions, however, it remains to be seen how much of this has been pulled forward from the second half. Certainly, there are unlikely to be any more material property sales this year. Toys, on the other hand, suffered from the other comparable half, although there has been a worrying weakness in demand for the Britains range of farm toys. Assuming full-year pre-tax profits of £17m, the shares stand on a prospective p/e of just under 9. Taking the precedent of English China, the treatment of its Bryant stake and CH Industrials' intention for its holding in Manganese Bronze, Dobson Park could justifiably raise this by up to £12m through equity accounting for MS. However, since Dobson Park has no debt, its caution is appropriate. Eventually the group will have to pursue MS or a similar target. In the meantime, the primary attraction is a prospective yield of 7.2 per cent.

A J Archer downturn

Reduced pre-tax profits of £144,000 were reported by A J Archer Holdings, Lloyds insurance underwriting agent, for the six months ended March 31 1988. The previous figure was £284,000, but directors said the lower profits were in line with the forecast made at the time of flotation in February.

The decline arises from increased operating expenses and interest charges associated with the reorganisation from partnership to a public company, and with the flotation.

Earnings for the period fell from 0.8p to 0.4p. For the full year the directors intend to recommend a single 4p dividend.

The group is setting up two new syndicates - an aviation loss syndicate, expected to start business on July 1, and a marine excess of loss syndicate planned to start on January 1 1989.

Airflow Streamlines up 55% to £2.57m

Airflow Streamlines is confident about prospects for the present financial year after reporting pre-tax profits up 56 per cent in the 12 months to February 29 1988.

The taxable result rose from £1.66m to £2.57m on turnover ahead 50 per cent to £49.4m (£31.31m). A final dividend of 4p is proposed, for a total of 5p (5p) on earnings per share of 18.54p (£1.85p).

Airflow, which makes assemblies and pressings for the automobile industry, is also a Ford main dealer. It is confident of benefits from increased UK vehicle manufacturing and continued high demand for new Ford cars.

Scottish Invest shows improvement

Net asset value of Scottish Investment Trust stood at 159.6p on April 30 1988 compared with 154p six months earlier. The directors said that with the exception of the UK and West Germany, where its performance lags, the trust outperformed in all the major markets.

The interim dividend is lifted from an adjusted 0.87p to 1p, payable from earnings ahead from 0.97p to 1.14p.

Gross revenue, which benefited from significant increases in dividends both in the UK and US, rose to £7.58m (£6.32m). Pre-tax revenue amounted to £4.21m (£3.78m).



Egoli Consolidated Mines Limited

Company registration number 68/15717/06 (Incorporated in the Republic of South Africa)

Declaration of dividend

Notice is hereby given that a final dividend, being dividend No 15 of 7.5 cents per ordinary share, has been declared for the year ended 31 March 1988 for all ordinary shareholders registered in the books of the company at the close of business on Friday, 10 June 1988.

The register of members and transfer registers will be closed from 11 June 1988 to 19 June 1988, both days inclusive. Dividend cheques will be posted on or about 29 June 1988. Non-resident shareholders' tax will be deducted at the rate of 15% from the dividends payable to members whose addresses in the register of members are outside the Republic of South Africa.

By order of the board

Investments & Technical Management Limited

Secretary

per L W Helen

27 May 1988

Registered office  
31st Floor  
Trust Bank Centre  
56 Eloff Street  
(former Fox Street)  
Johannesburg, 2001  
(PO Box 1124  
Johannesburg, 2000)  
Republic of South Africa

Transfer secretaries  
In Johannesburg  
Unidiv Registrars Limited  
6th Floor  
Landmark Building  
94 President Street  
Johannesburg, 2001  
(PO Box 1093  
Johannesburg, 2000)  
Republic of South Africa

In London  
Hill Samuel Registrars Limited  
6 Greencoat Place, London  
SW1P 1PL

INTERNATIONAL CAPITAL MARKETS

The Financial Times proposes to publish a Survey on the above on 27TH JUNE 1988

For a full editorial synopsis and advertisement details, please contact:

DAVID REED

on 01-248-8000 ext 3461 or write to him at:

Bracknell House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES



Heading Upstream

As one of the most prominent British companies in the international water industry, Biwater is also one of the most successful.

The symbolic fish, which epitomises life in water, is pointing upstream, pointing to further growth and future successes.

Behind the fish lies a year in which its presence has been highly visible, particularly in the Far East, Middle East, Africa and South America.

More recently the company has purchased Ames Crosta Babcock, another well known British sewage and water treatment plant contractor. Added to that is the success of Biwater Supply's bid for East Worcestershire Waterworks Company.

And it is no accident that Biwater has achieved a pretax profit in 1987 of £8 million on a turnover of £136 million, which represents an increase in profits of 59%. Biwater - continuing to move upstream!



Biwater House, Station Approach, Dorking, Surrey RH4 1TZ England Telephone (0306) 740740 Telex 889529 BWATER G Facsimile (0306) 885233

Offices in Australia, Caribbean, France, Hong Kong, Indonesia, Iraq, Malaysia, Nigeria, Pakistan, Panama, Republic of Cameroon, Thailand, United Arab Emirates



UK COMPANY NEWS

Carless disappoints City with 80% jump to £6.8m

BY VANESSA HOULDER

Carless Cappel & Leonard, independent oil company, yesterday announced profits of £6.8m for the year to March 31 1988, an increase of 80 per cent on the £3.8m before tax and exceptional items scored in the previous year. Turnover increased from £104.5m to £125.7m.

However, the results were at the lower end of City expectations and the shares dropped 3p to 195p.

Mr Ian Chubb, chief executive, said there had been significant progress and improved profitability during the year. The results were all the more pleasing in view of the adverse factors that have affected the oil industry in general, including the continued instability in crude oil prices, a depreciating dollar, eroded margins and a mild winter.

The company views the future with optimism, said Mr Chubb. The upstream activities have considerably increased the reserve base which should be reflected in

future results. The downstream earnings are expected to show steady progress following the rationalisation of recent acquisitions and with organic growth.

The company plans to change its name to Carless to strengthen corporate identity.

The share of profits from its associate company Century Power and Light was £3.42m. Its 41.2 per cent stake was sold in April for £51.5m, realising a cash surplus of £33.5m on the original investment in 11 months. The company now has a net cash balance of £10m, it said.

At the year-end, the UK proven and probable net oil and gas reserves rose 47 per cent to 32.5m barrels of oil equivalent.

The recommended final dividend is maintained at 1.75p per share, making an unchanged total of 2.75p.

company and a refining and marketing business. Carless is something of an oddity among the oil independents. And this it intends to remain, with plans to expand in both directions. Its search for small downstream acquisitions - last year it bought three for about £12m - should continue. And following its enforced exit from Century Power and Light - a disappointment tempered by the handsome return it made on its investment - Carless is hoping to pick up some North Sea assets. Mr Chubb, however, is insistent that he will not pay the "crazy" prices bandied around at present and as such it may fall back on licence applications and farm-ins. Carless' current shortage of North Sea assets is reflected in its share price, which does not sport the kind of bid premium shown by stocks like Clyde. Speculation surrounding the possible sale of the 27.7 per cent stake belonging to London Merchant Securities is generally thought to be overblown.

● comment  
As a hybrid between a pure exploration and production com-

Prowing offer 20 times subscribed

By Philip Coggan

THE offer-for-sale in Prowing, the building group, was about 20 times subscribed, making it the most successful flotation so far this year. Lazard received applications for 241m shares, worth about £400m at the offer price of 165p.

ASW Holdings, the steel company, was also marginally oversubscribed - applications were received for 38.7m shares as against the 22.7m on offer. Priority applications from Prowing employees will be allocated in full. The basis of allocation for the remainder is as follows: those who applied for between 200 and 1,000 shares will go into a weighted ballot for 200 shares; 1,000-9,999 shares - a weighted ballot for 500 shares; 10,000-100,000 - 6 per cent, up to a maximum of 5,500 shares; 110,000-300,000 - 5 per cent, up to a maximum of 15,000 shares; more than 300,000 - 4 per cent, subject to a maximum of 60,000.

ASW employees will also have their applications allocated in full. The basis of allocation for other applications is as follows: up to 1,000 shares - allocated in full; 1,000-2,999 shares - 2,000 shares; 3,000-14,999 shares - 1,400 shares and over - 66.1 per cent of those applied for.

US withdrawal helps Lilley achieve £2.2m

BY CLARE PEARSON

FJC Lilley, Scottish construction group, achieved £2.2m before tax in the year to the end of January when it closed most of the US operations which had plunged it £50m into the red in the previous twelve months. Turnover was down from £381.2m to £249.5m.

Disposals and the recovery of claims allowed net borrowings to fall from £47.7m to £12.1m. Net current assets turned round from £12.2m negative to £9.2m positive. Earnings per share rose to 3.5p, from a negative 51.5p.

There is no dividend payment, but a capital restructuring is proposed which involves halving the nominal value of the shares which will transfer about £10m to the profit and loss account.

The cost of disengagement from the US, which will be completed this year, was taken as a £11.5m (£23.9m) extraordinary charge. A £1.1m (£30.7m) exceptional item was mainly the writing off of costs on a US subsidiary's contract in Cairo.

Mr Lewis Robertson, chairman, said: "It is noteworthy and encouraging that businesses identified as continuing elements of the group - UK and non-US international construction - had shown a combined improvement of £5.3m on the previous year.

International construction turned in a £1.77m (£1.45m) profit. Lilley Construction International made good progress in Hong Kong, where it is a member of the consortium for the Eastern Harbour Crossing tunnel project.

● comment  
With these results the unhappy chapter of FJC Lilley's involvement in the US is almost brought to a close, notes company doctor Lewis Robertson in the lengthy and detailed account of his treatment which accompanies these figures. "Now is the time to look forward to the positive factors," he notes, lingering over the growth prospects in sight for the high calibre UK operations and the benefits that should accrue from introducing the company, for the first time, to a group structure. The next year or so will be mainly about using the flow of money recovered from claims to provide a breathing space for the UK companies. But, though this may be fascinating business for Mr Robertson, it is not likely to generate a great deal of interest in the shares. Profits forecasts for the current year are no more than guessimates, since they depend so crucially on what may be picked up in the US, Nigeria, Cairo and various other places. However, a conservative view would be £6m pre-tax, which puts the shares on a p/e of about 6.5.

USM quote for Southnews

BY FIONA THOMPSON

Southnews, publisher of paid-for and free local newspapers in the south-east of England, is joining the Unlisted Securities Market via a placing valuing the company at £24.25m.

Hill Samuel is placing 3.13m shares, representing 20.6 per cent of the enlarged equity, at 160p. Existing shareholders are selling 400,000 shares. Institutional shareholders are placing 1.04m shares and the balance - 1.69m new shares - will raise £2.4m for the company.

Southnews publishes 16 weekly titles - seven paid-for and nine

free, with a combined average circulation of 710,000 copies a week. They are concentrated in three main areas - west London, south Buckinghamshire and parts of the south coast. The oldest newspaper, the Uxbridge Gazette series, was founded in 1840. All the titles are contract printed and the group employs a total of 415 people.

Southnews was formed in 1986 via a management buy-in of a division of Westminster Press. The buy-in was led by Mr David Platt and Mr Gareth Clark, present managing director and

finance director of Southnews respectively. Since 1988, the original business has expanded and there have been a number of acquisitions.

The £2.4m raised for the company will be used to repay loans used to finance the buy-in and to provide flexibility for further acquisitions.

In 1984 the business made a pre-tax loss of £11,000. This turned into a profit of £2.81m for the year to April 2 1988, putting the shares on an historic p/e ratio of 9.6, after the actual tax charge of 14.7 per cent.

Property division lifts Hanover Druce

Hanover Druce, estates agency and property-related financial services group, yesterday revealed a 24 per cent expansion to £2.81m in pre-tax profits for the year to February 29.

The property division made a useful contribution, the directors said, with profits of £420,000 (£38,000) arising from joint ventures with clients of the estate agency.

Turnover rose 41 per cent from £12.86m to £18.09m. Earnings per 10p share were 14.5p (15.7p) and the proposed final dividend is lifted to 3p for a total of 4.35p (3.85p).

An extraordinary charge of £61,000 related to professional fees incurred on abortive acquisitions.

Irish Distillers up 37% to £7.8m

An increase in interim pre-tax profits of 37 per cent at Irish Distillers Group reflected the benefits of last year's cost cutting operation, the company said. For the six months to March 31 profits increased from £5.73m to £7.84m (£6.6m).

Turnover was up at £126.72m (£117.81m) resulting mainly from an increase in exports, which was offset by a decline in the home market. Earnings per share came out at 9.89p (7.11p) and the interim dividend is being increased to 2.2p (2p).

The results were in line with the company's budgets and the board expected a satisfactory outcome for the year.

Restructuring sparks recovery at Whessoe

Last year's substantial restructuring package appears to be paying off at Whessoe. In the six months to March 26, the engineering group achieved pre-tax profits of £760,000 against a loss of £5.36m last time.

Mr George Duncan, chairman, said the results sustained the recovery shown in last year's second half. However, profits were held back by additional provisions against contract losses and low levels of activity in pipework operations.

Turnover rose to £46.74m (£40.02m). Earnings per share were 2.9p against a loss of 19.8p. The group is returning to the interim dividend list with a payment of 1p.

Assoc Fisheries falls to £2.2m

PRE-TAX profits at Associated Fisheries, food processor and cold storage group, fell 26 per cent in the six months to March 31 1988 from £3.01m to £2.2m. Turnover fell from £51.86m to £50.3m.

Operating profit, however, rose 28 per cent from £1.81m to £2.32m. The contribution from the food processing and trading rose

strongly from £415,000 to £791,000 and engineering produced a £30,000 profit against a £391,000 loss previously. Cold storage, transport and warehousing, however, made £742,000, down from £1.16m.

The company expects operating results to continue to improve during the rest of the year.

Investment income in the latest period was sharply lower at £575,000 (£1.81m). The interim dividend is being held at 1p on earnings of 8.35p (11.55p).

At the request of the parent company, Eastern Produce (Holdings), Associated Fisheries' year-end is to be changed to a calendar year basis from 1989. The current year will cover the 15 months to December 31 1988.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Unlisted Securities Market in the undermentioned securities of the Company. The Company's Ordinary Shares are currently quoted on the Third Market. It is emphasized that no application has been made for these securities to be admitted to the Official List of The Stock Exchange. Dealings are expected to commence on 2nd June, 1988.

CORTON BEACH PLC

(The Company)  
Incorporated in England under the Companies Act 1948 with Registered Number 675120

INTRODUCTION TO THE UNLISTED SECURITIES MARKET ARRANGED BY BROWN, SHIPLEY & CO. LIMITED

AUTHORISED		SHARE CAPITAL		ISSUED AND FULLY PAID	
£	No. of 10p each	£	No. of 10p each	£	No. of 10p each
5,912,111.00	59,121,110	Ordinary Shares	3,287,256.00	32,872,560	

The Company is a holding company for a group that comprises three autonomous trading divisions—Foods, Automotive and Leisure; the Company also has interests in textiles through its holding of 56 per cent of the issued share capital of Propeller PLC, whose shares are quoted on the Third Market.

Particulars of the Company have been circulated in the External Unlisted Securities Market Service and copies of such particulars may be obtained from the Company Announcements Office of The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD until 1st June, 1988 and, during normal business hours on any weekday (Saturdays excepted) up to and including 10th June, 1988, from: BROWN, SHIPLEY & CO. LIMITED, HESLINGTON, MOSS & CO., Founders Court, (A member firm of Brown Shipley Stockbroking Limited), 10 Foster Lane, London EC2V 6HH 27th May, 1988

NOTICE TO BANK CUSTOMERS

The High Street banks listed below and their credit card organisations are to apply new arrangements designed to help prevent additional credit being given to people who are unable to repay their existing borrowings.

The banks will supply to certain credit reference agencies information about debts, normally up to £5,000, which are in default, where no security has been given and on which no satisfactory response has been received from the customer within 28 days of formal demand for repayment.

The new arrangements, which will come into operation during the next three months, will apply to that very small minority of borrowers who are in default and will not affect the overwhelming majority of banks' customers.

Bank of Scotland	Barclays Bank
Lloyds Bank	Mitland Bank
National Westminster Bank	The Royal Bank of Scotland
Standard Chartered Bank	
TSB England and Wales	
TSB Scotland	

27th May 1988

All these Notes having been sold, this announcement appears as a matter of record only



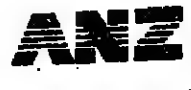
Guaranteed by the Commonwealth of Australia

A\$60,000,000  
12 1/4 per cent. Notes due 1995

ANZ Merchant Bank Limited

- |  |  |
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March 1988





# THE PROPERTY MARKET

BY PAUL CHEESERIGHT

"IT HAS been the most important month in Hull's history," says the city council official. He is stretching the point - Hull has a long history. But the remark indicates excitement that property development is climbing to an unexpectedly high level.

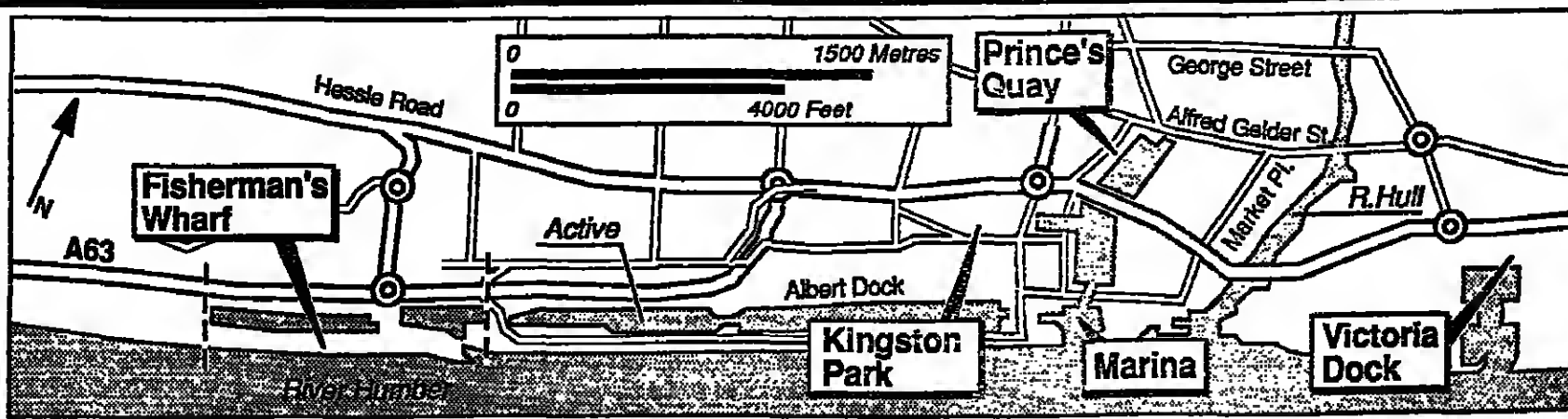
Certainly the council has had a good few weeks. Four important developments brought to a total of £250m the amount of committed private sector investment in and around the city. This was just the sort of boost its urban regeneration programme needed after piecemeal progress since the early 1970s, without the aid of devices like urban development corporations.

While it is true that the Labour-controlled city council has a strategy paper on regeneration, especially for the River Humber frontage, it had previously been following it on a catch-as-catch-can basis.

Now it can cash in on the economic growth which has seen unemployment in the city drop by three percentage points in the past year to 13.1 per cent. It can exploit the property developers' push to provide facilities where people can spend their increasing disposable incomes. It can tap the rising trend towards home ownership.

The four projects reflect these underlying movements:

● Bellway Urban Renewals has formed a 60-40 joint venture company with the city council to redevelop 150 acres of waterfront called the Victoria Dock project, to provide 1,300 homes. The city council's share of the equity comes from its contribution of the land, which it is buying from Associated British Ports. The



will saturate the city, or whether the local retail boom has some way to run. Certainly the prospect of Princes Quay is invigorating the market.

Andrew Clark of Dickinson Davy & Markham, chartered surveyors, says the top three rents - and there have been few recent open market lettings - have been at £30 a sq ft. But rent reviews have been settled at a lower level.

On Princes Quay, though, over a third of the space has been pre-let, largely to clothing outlets for the Burton and Sears group and for Next, at £28 a sq ft Zone A. Presumably this new high level of rents will be reflected in pressures for rent increases in the main established shopping areas.

Hull is the natural shopping centre for Humberside - greater Hull's catchment area consists of 350,000 people. The new developments put it in a strategic position 20-30 miles away, its main competitor, which is 38 miles away. Shopping studies have suggested that with the opening of the Humber Bridge and the improvement of communications - the A63 link to the M62 motorway - the potential catchment area for the new Hull shopping developments is 850,000.

That sort of figure gives an immediate justification to the higher rents for city shops, but as the experience of the Metro Centre at Gateshead has shown, shopping habits can be slow to adapt to the provision of new facilities.

One side effect of the developments, however, is that they are expected to make Hull a more vibrant city. That, in turn, could improve perceptions of it as a place in which to run a business.

## Hull's breakthrough on the waterfront

Government is supporting the scheme with an urban regeneration grant of £17m, the largest it has so far made.

● Associated British Ports, through its Grosvenor Square Properties subsidiary, has started work on Fisherman's Wharf in the old St Andrew's Dock. It is draining 18 acres on which it will put 250,000 sq ft of retail warehouses and a leisure complex, plus an industrial park.

● Wykeland has received planning permission for Kingston Park, a mixed complex of 110,000 sq ft of retail space, restaurant, 16-screen cinema, ice arena and bowling alley. The site is on 20 acres adjacent to the city centre. ● On the former Princes Dock, Land Securities, Balfour Beatty

and Teesland Development have started work on the 260m Princes Quay complex to provide 200,000 sq ft of shopping and 50,000 sq ft of leisure facilities.

This last project is linked to an Alders department store in the city centre and there will be direct access to Kingston Park, Princes Quay provides a link to the city's Marina, which the council developed on its own initiative with the help of Government grants. The Marina has provided the setting for a new Trusthouse Forte hotel.

While in places like Liverpool and Southampton marinas have been seen as a focal point for other forms of economic activity - mainly shopping - this has not been the case in Hull. What it has done there, apart from stimulating the hotel development, is

to set off housing projects. It has improved the environment, rather than providing an economic growth point.

Taking Kingston Park, Princes Quay and the Marina together, the effect is to expand the town centre southwards so that it meets the river. To that extent the regeneration in Hull has similarities to what is happening in Southampton and what the Merseyside Development Corporation would like to happen in Liverpool.

Despite the city council's purchase of the small city centre docks, which are now the base of the Marina and Princes Quay, the major player on the waterfront is Associated British Ports. Its land has a river frontage of seven miles and covers 2,000 acres. The main working docks

are on the east of the town and handled more cargo last year than at any time since 1974, although with a third of the staff.

Fish handling and processing takes place on the west side, between the town centre and Fisherman's Wharf. Hull has become a significant entrepot for foreign fishing fleets, notably that of Iceland.

The city council realises that the waterfront cannot be rehabilitated without ABP, and ABP realises that it cannot pursue its growing vocation as a property developer without the goodwill of the council for planning consents and so on. The relationship is uneasy, a marriage of convenience rather than love. With Fisherman's Wharf under way and Victoria Dock sold to the city council, the last big area

the future of which needs resolving is Alexandra Dock, just to the west of the Bellway-Hull City Council joint venture. Once there were aspirations to turn it into a freeport, but the Government refused approval. Now ABP is uncertain what to do with it.

It could be held for docks expansion: it is an ideal site for, say, bulk oils. Given the flow eastwards of Britain's trade, coupled with the revival of the port as a whole, there are obvious attractions in this, especially as the maintenance costs of the dock are minimal. It could be used, alternatively, for another property development.

That poses a different set of problems. Housing would need to be at the top end of the range to provide the returns ABP would require. With a new retail park

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TECHNOLOGY

# The practical nature of Olivetti's VIP visionary

David Fishlock examines Hermann Hauser's view of research

AT OLIVETTI, the Italian office equipment company, VIP stands for very important project. To Hermann Hauser, physicist and founder of Acorn Computers, now 80 per cent owned by Olivetti, this means the sort of work that translates a vision into a product.

One of Hauser's VIPs is a personal office computing system which integrates all the electronics and around a secretary's desk: telephone, fax, index, photocopier, dictating machine and so on. When he told Olivetti executives of his vision, he brandished a "black box", made of polystyrene foam, and told them what he expected his scientists to make it do within the ensuing five years. It got their attention, he says.

His list of things the box must do - as told to the annual conference of the European Industrial Research Management Association in Madrid last week - included that it should:

- function as an electronic notepad for writing or speech, even reading handwriting;
- remember phone numbers and names, and be able to set up an international phone conference;
- print and file documents.

Working out how it will do all this while remaining little bigger than a chocolate box is the job of a network of laboratories set up by Hauser over the past 18 months. There are eight so far, mostly in Europe.

Their target is the "office of the future" and the aim is to invent new office systems inside five years. This is Olivetti's answer to the pace of Japanese innovation, says Hauser, who is head of corporate research. He envisages Olivetti producing business systems in future, rather than the discrete products of today.

Elisario Pini, head of strategy at Olivetti, set out to hire Hauser because he believed he would take a more visionary view than was customary in the company. Hauser had remained Acorn's second biggest shareholder after the 1985 takeover, but at first stood aloof from Olivetti.

He was hired in a year later with an offer of a research budget for that year of \$24m and the freedom to set up his own laboratories and choose the staff. The holder of dual Austrian and British nationality, he became Olivetti's first foreign vice president for research.

Hauser has convinced the company that time is too short for a conventional approach to corporate research, which is to have one central lab. It would take too long to assemble a "critical mass" of talent in one place.

His answer is a network of research centres located in what he calls hot spots of innovation. "My feeling is that this is the only way of doing advanced research these days."

The centres are in Italy (five),

Nuremberg in West Germany, Palo Alto in California and Cambridge in the UK. At full strength each will have about 25 professionals. This year they will between them spend about \$30m (\$18m).

Two more are planned to complete the network - in Boston, Massachusetts, and in Japan. This will give Hauser a corporate research staff of about 250. He also controls what he calls an "external laboratory", an agency of three people who negotiate research contracts with academics.

Each laboratory, as well as doing its own research, is a listening post strategically placed where Hauser believes information technology is making rapid progress. "Nothing happens in Silicon Valley that I don't know about in 24 hours."

Hauser's criteria for the laboratories include that they should be close to both centres of academic excellence and to new high technology businesses. "It's like consulting an encyclopaedia," he says of one small company specialising in image processing.

Start-up companies have a vision, he says, citing recent research that showed small companies to be 24 times more innovative than big ones. He relishes working with entrepreneurs, whereas others may find them idiosyncratic and time consuming.

A characteristic of start-ups is



Hermann Hauser: Time is too short for conventional R&D approach

their financial instability and Olivetti can help ease this. Hauser is quick to reassure the companies involved that he is after their expertise, not their product secrets. Once they accept this, they talk readily, he says.

Hauser controls his research network from Olivetti's headquarters in Ivrea, northern Italy, where he has one of his labs. He has a research board which provides him with top-level links with the product divisions.

Technology transfer is expected to take place between scientists and engineers at all levels, helped by exchanges of staff both within the network and between it and Olivetti's product division laboratories, which employ 6,000 on short-term development.

Hauser believes that the way to make each laboratory really productive is to attach supreme importance to recruiting the

right leader. In Cambridge that person is Andrew Hopper, from the computing sciences department, where Hauser once worked.

Hopper is an expert in computer networking - highly relevant to the goal of integrating the thinking of the far-flung labs.

Professor Maurice Wilkes, the 73-year-old doyen of computer science in Cambridge, has also been recruited. The Olivetti laboratory is within 200 metres of the university labs that Wilkes used to run, and the scientists mingle freely.

Hauser forecasts that the next decade will prove the most exciting years yet in the history of computing science, with an improvement of at least 1,000-fold in computer performance. It is his ambition to develop a system with so much computing power "it will be proud of us."

## WORTH WATCHING

Edited by Geoffrey Charlish

### No oxygen but plenty of natural gas

TUNNEL Refineries, the largest UK starch maker, is dealing with the waste water from its Greenwich site with an anaerobic treatment plant that will reduce the amount of organic material in the water by a factor of 10. The £1.5m plant, one the largest in Europe, has been built by Biomechanics of Coventry.

Anaerobic treatment uses bacteria to degrade organic waste biologically without oxygen, converting most of it into methane (the main constituent of natural gas) and carbon dioxide. In the more conventional aerobic processes, common in sewage works, the bacteria need oxygen to be able to eat the pollutants. Four times as much energy is needed to induce sufficient oxygen into the water.

The Biomechanics plant consumes only 100 kilowatts of electricity and produces natural gas worth £100,000 a year. It processes 3,500 cubic metres of waste per day. The normally unmanned plant is controlled by a computer which gives warning of any problems.

### Direct line for the spoken message

VOICE messaging, the verbal equivalent of electronic mail, is being offered by UK company Tudor Computing of Esher, Surrey.

### Callers to a company exchange, who cannot get the message into an electronic "mail box", later, when the "box owner" calls the system, it will tell him if there are any messages. He dials his box to hear them.

Access to the boxes can be from any extension or from the external phone network. The rationale for such systems, claims Tudor, is that many business calls fail to reach the intended recipient first time and, in any case, they often only consist of a one way message.

### Soft mastery of court proceedings

SOONID Techniques, a UK company of Milldenhall, Suffolk, is offering a computer and software package to manage court proceedings.

Approved by the UK Home Office, the programmes run on computers made by Alpha Microsystems of Slough.

The software is available in four modules, covering proceedings, fines and fees, matrimonial maintenance and fixed penalties. Users can start with the processor and one module, adding others later.

Options and enhancements include a legal aid facility, magistrates' rota, court management statistics, word processing and a spelling check. Computers for single and multiple users can be supplied to cater for any size of court.

### BT ventures into designer holidays

BRITISH TELECOM has taken a 51 per cent interest in Holiday Designers, a UK company which has just launched a holiday booking system that enables travel agent customers to make transport and accommodation arrangements tailored to meet their individual requirements.

Using Prestel (videotex) colour screens, travel agents can give customers "one stop" facilities to select flights, hotels, car hire and other services of their choice.

The system is claimed to be totally unbiased since Holiday Designers "is not answerable to any principal, nor does any supplier of travel services have a financial interest in the company."

About £2m has been invested in the system, which has been developed by Holiday Designers in conjunction with BT Applied Telecommunications.

The system is based on an IBM 3090 mainframe computer with switched connections to suppliers such as airlines and hotels.

These suppliers constantly update the database (information store) for use by the 18,000 videotex screens at over 6,500 UK travel agents.

CONTACTS: Biomechanics UK, 620 5215; Tudor Computing, 017 8821; Sound Techniques, 028 71623; British Telecom, London, 726 6244.

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## Minolta brings down the shutters on any lack of creativity

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

ANY DUFFER, as any number of family albums will testify, can take a blurry photograph. But what about the camera buff who wants to exercise a little skill and turn in a flattering, deliberately soft focus picture of a grizzled relative or the family dog?

Something of a challenge for the average owner of a modern point-and-shoot automatic camera which has been designed to make such things difficult, if not impossible, the task has been made simple by Minolta of Japan.

Just as a personal computer's capacities can be extended by inserting a disk, so the abilities of the Minolta's latest top-of-the-range camera can be improved by inserting a "creative expansion card."

Measuring 2cm by 3cm, each card contains a memory circuit connected to

a microprocessor which interfaces with the £400 Dynax 7000's main built-in computer. Functions vary from the "fanny" card, which produces a soft focus effect by switching on the lens drive motor as the shutter is opened, to inserts for close-ups, portraits and customised function that allow the user to adjust seven of the camera's countless basic operations.

Ranging in price between £13 and £20 each, the 10 cards offer retailers an extra attraction for the conventional marketing package of body, lenses, flash and case, and the opportunity for Minolta to add on extra features through further cards, thus extending the product cycle beyond the three or four years usual for an SLR (single lens reflex).

The company has also set its compet-

itors fresh challenges in the race to pack more features into an ergonomically-designed camera body.

The 7000, launched simultaneously last week in all world markets, has a high-torque lens drive which is claimed to focus four times faster than Minolta's 7000 model. It also boasts a liquid crystal display data panel which can show combinations of 15 different modes.

But the company is especially proud of the new predictive focus control which can capture a moving subject in sharp focus. For a picture of a runner approaching the camera, for example, the computer can predict the subject's distance from the lens at the instant of exposure, and continues focusing automatically even as the mirror swings up, stopping as the shutter opens.

Hype analysts can make what they like of Minolta's claim to have developed "the world's most intelligent camera," but the introduction marks an intelligent move in one of the few sectors of the camera market which is growing and turning in decent margins.

There are about 200 different compact 35mm pocket models costing an average of \$62 on sale in Britain. Sales are increasing and last year reached 2m units out of total camera sales of 3.8m. But competition is strong and margins have suffered.

Much of the growth has been at the expense of the single lens reflex market. Partly because of relatively high prices averaging £210, and the perceived difficulty of using these cameras, sales have fallen. In the UK last year volume sales fell from 415,000 to

394,000 units.

However, the introduction of automatic focus SLRs, which started three years ago with Minolta's launch of a £200 model, has helped improve things. British autofocus sales last year were only 90,000 compared with 480,000 in Japan, but they rang up £230m at retail prices, and captured 23 per cent of the total SLR trade.

In the year after its introduction Minolta's first autofocus camera was given much of the credit for a near-70 per cent increase in company profits.

In its own way the new breed of cameras may also help film makers. With the capacity to bang off three or four frames a second, it must surely do something to bolster the average Briton's film consumption of a wretched two rolls a year.

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Repayment of principal will be made at the offices of any one of the Paying Agents specified below (and on the reverse of the Coupons). Bonds should be presented for redemption together with all unexpired Coupons, failing which the face value of any missing unexpired Coupon will be deducted in pounds sterling from the sum due for payment.

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The Bondholders are therefore reminded that the subscription rights in Pirelli S.p.A. ordinary shares will be suspended from May 31 (date of publication on Gazzetta Ufficiale) up to and including June 21, 1988.

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BY ORDER OF THE BOARD  
P. L. Willford  
Secretary.

### PUBLIC NOTICES

#### INSURANCE COMPANIES ACT 1982

Notice of Approval of Transfer of Business

Notice is hereby given under Section 51(9) of the Insurance Companies Act 1982 that the return of the State, having considered an application from Lloyds Bank plc, for approval of a transfer of certain general business to Swiss Bank Corporation Limited, has approved the transfer.

Notice of the application was published in the London, Edinburgh and Belfast Gazettes, in Lloyd's List and in the Financial Times on 18 February 1988.

Department of Trade and Industry May 1988.

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# COMMODITIES AND AGRICULTURE

## US wheat producers' set-aside cut to 10%

BY NANCY DUNNE IN WASHINGTON

THE US Agriculture Department has cut its acreage set-aside requirement for wheat producers from 25 per cent of planted acreage to 10 per cent, a radical departure from recent years.

The department responded to calls by the farm lobby for a smaller set-aside to discourage overseas production and to ensure adequate supplies in order to continue the aggressive US export expansion.

Farmer organisations also expressed concern that, with rising prices, producers would be encouraged to drop out of the acreage reduction programme altogether. The price support loan rate has been set at \$2.06 a bushel, down from \$2.57 a bushel.

Mr Frank Johannsen, president of the National Association of Wheat Growers, has estimated the season average price for this year's crop in the \$3 to \$3.25 range. Producer income is

expected to be lower this year, but the US market share, boosted by export subsidies under the Export Enhancement Programme, is still expected to exceed 40 per cent.

Bad weather in Europe and the Soviet Union and low wheat prices early in 1987-88 kept competitors' production down. As a result, US exports are expected to reach 43.5m tonnes by the end of this trade year (July-June), the highest volume since 1981 and

more than 15m tonnes above 1986-87.

End-year stocks on June 1 next year are projected to fall below 800m tonnes, the figure USDA considers necessary to keep in stock for domestic emergencies.

With a 27.5 per cent set-aside in place for the 1988-89 crop, USDA officials are projecting a 59m-tonne wheat harvest.

Next year's smaller set-aside will bring an additional 10m acres into production, raising output to about 67m tonnes.

Officials are worried that because the levy size has been doubled this represents an increasingly unacceptable loss to the EC budget.

Meanwhile, there are signs that farm bodies across the EC - cognizant of the early forecasts for the harvest which suggest that it will not exceed 150m tonnes - are unhappy at the prospect of early payment of the extra co-responsibility.

One lobbyist in Brussels last night said it could represent the profit margin for some farmers and that if the maximum ceiling were not breached, reimbursement was unlikely until June next year.

## Canadian mining companies warned

By Our Commodities Staff

CANADIAN MINING companies were devoting too much time looking for gold and not enough boosting base-metal reserves which had become dangerously depleted in recent years, Mr Norman Keevil, president of Teck Corporation, warned yesterday.

Teck is the Vancouver-based natural resources group which started life as a gold mining company.

Mr Keevil said that gold reserves rose sharply in recent years but reserves of zinc, copper, nickel and iron had dropped substantially.

"The biggest challenge facing us today is to replace our waning production base, which is our reserves," he told a mining conference.

His remarks echo those of Mr Andrew Buxton, RTZ Corporation's director of metals who recently suggested the mining industry worldwide had devoted too much energy to gold-exploration at the expense of other minerals.

Mr Buxton said: "The almost religious zeal which gold evokes and, it might be argued, its intrinsic usefulness, makes this the mining industry's late-20th century equivalent of building the Pyramids."

The present high prices for metals could be traced to a gradual erosion of the industry's ability to produce, Mr Buxton suggested. For example, the effective capacity of the world's copper mines was 1m tonnes below nominal capacity.

Yesterday Mr Keevil said that since 1981 Canada's gold reserves had jumped by 94 per cent but in the same period reserves of nickel had fallen by nearly 20 per cent, those of copper by more than 21 per cent and those of zinc by 24 per cent.

"We need more exploration and more effective exploration, particularly for metals other than gold," he said.

## Malaysia moves to dampen speculative interest in rubber

BY WONG SULONG IN KUALA LUMPUR

MALAYSIAN RUBBER officials, concerned the market was rapidly overheating, yesterday moved to dampen speculative interest as prices continue to soar.

On the Malaysian market yesterday RSS1, the hedging grade, rose by another 2.5 cents to an eight-year high of 377 cents a kilo. It has risen by 15 per cent in the past week.

Mr Ng Kok Tee, a Rubber Exchange official, said the market needed to "cool down and digest the unsettled positions."

He said that while the price rise in recent months was due to strong fundamentals, the sharp increases in the past fortnight were largely due to speculation, emitting from the Tokyo market.

Officials of the Kuala Lumpur-based International Natural Rubber Organisation said its hufferstock sales had lost impact on the market, which is now in the control of speculators.

Mr Ahmad Farouk Ishak, chairman, Malaysian Rubber Research and Development Board, the industry's regulatory authority, focused his reassurances on the rubber latex market. There panic buying has forced prices to an all-time high of more than eight ringgit a kilo. Conceding current supply of

later concentrate is very tight, because Malaysian producers were already committed to foreign buyers till the year's end, he said Malaysia could raise latex output by an additional 100,000 tonnes with some effort.

He said the two government buying agencies - the Rubber Smallholders' Authority and Mardec, would produce more latex concentrate by stepping up purchases of latex from farmers.

Last year Malaysia produced about 300,000 tonnes of concentrate of which 35,000 tonnes were consumed locally. Local consumption this year is expected to rise to 65,000 tonnes.

Latex rubber forms only 7 per cent of the natural rubber market but the scramble for this grade by gloves and condoms factories, demanding from which is mushrooming, has resulted in highness in the market all round.

Concentrate is selling at more than a four-ringgit premium over RSS1 when the traditional premium is only 50 cents a kilo.

Meanwhile, the Statistics Department said Malaysian Rubber output for this first quarter amounted to 389,857 tonnes, or 2.8 per cent lower than for the corresponding period last year. However, exports in the first quarter were up by 8.6 per cent, to 438,292 tonnes.

## EC Commission may have to aid small cereal farmers

BY TIM DICKSON IN BRUSSELS

THE European Commission may be forced to intervene with its own stop-gap solution next week after member states yesterday failed to find a formula to shield small cereal producers from the worst effects of Common Agricultural Policy reform.

The ultimately de-linked meeting of farm experts in Brussels was seen by some as a key test for the EC's new determination to control costs in the grains sector.

However, a close observer last night said it ended up in a largely theological dispute about the relative powers of the Commission and the Council of Ministers.

The problem arises because the EC has not yet agreed farm-price levels for 1988-89, and the June 1 start of the harvest in the EC's Mediterranean states is fast approaching.

That is all the more serious this year because the summit meeting of EC heads of government in February decided, as part of the new stabiliser regime, to apply an extra co-responsibility levy, that is production tax, of 3 per cent this year and told farm ministers to find new rules for exempting smaller producers.

Representatives of the member-states yesterday unanimously agreed that the provisional price for soft wheat

in the southern countries would be fixed at the same level as last year.

This means the basic co-responsibility of 3 per cent and the extra levy - to be reimbursed if the total EC harvest does not exceed 160m tonnes - will each be Ecu3.3 a tonne.

The experts, however, were unable to decide a new system for exempting small producers because of opposition to the proposal from Italy, Greece and Spain.

Greece and Italy are understood to have demanded a higher share of the Ecu220m which has been set aside in this year's draft budget. Spain

insists the Commission should allow it to exempt farmers on more than the first 25 tonnes of output, the limit under existing rules.

A Commission spokesman last night indicated the Brussels executive would examine the Brussels text would find a solution before June 1 "to ensure the proper functioning of the system."

It is understood that behind the technical arguments there is a most pressing problem in Italy, which with Spain exempts its small producers from the levy, while other member-states reimburse them, is allowing larger producers to avoid paying the tax.

## John Barham on the burdens of a sector emerging from stagnation

## Brazilian agriculture proves to be dynamic but risky

BRAZILIAN AGRICULTURE is emerging from a decade of stagnation: farmers are reaping their second consecutive record harvest; the Government is forecasting another bumper harvest for next year; the wealth created by the harvest has averted economic crisis.

Yet Brazilian agriculture for all its prosperity still labouring under increasingly heavy burdens: yields have faltered; surprisingly under-sophisticated markets expose farmers to potentially huge risks; creaking infrastructure can no longer handle the rising output efficiently.

Observers doubt Brazil can raise grain output much beyond 7m tonnes a year without immediate improvements. However, there can be no denying the dynamism of Brazil's agriculture.

This year's harvest will total 66m tonnes, 1.5 per cent more than last year and 25 per cent more than in 1986. Were it not for dry weather in the south, Brazil's richest farming region, the harvest would have been 1m tonnes larger.

In comparison, for most of the 1980s farm output always hovered at about 5m tonnes a year, even though the population grew by 2.5 per cent each year.

Now, output of soybeans, Brazil's most important export

THE BRAZILIAN Government has bowed to intense pressure from sugar cane producers to delay its withdrawal from sugar exports, writes John Barham in Sao Paulo.

President Jose Sarney agreed on Tuesday to extend Brazil's state monopoly in sugar exports another year due to operating difficulties.

At present, the Brazilian Government's Sugar and Alcohol Institute (IAA) is responsible for all sugar exports.

world's second-largest producer of soybeans, its soy yields of 1.7 tonnes per hectare have fallen behind those in Argentina and Brazil Western Europe and North America.

Drought in southern Brazil caused much of the decline in yields. However, losses there were offset by increased planting in central Brazil, a region only recently opened to farming. Even though national soybean yields fell by 8 per cent, output actually rose by 6 per cent.

Soma landowners, fearful of losing property under Brazil's land-reform policy, began tillage previously idle land, thus helping to raise output slightly.

Most of the increased output has come from new farming regions in Brazil's vast interior.

which encourages farmers to hold on to much of their output. This is driving prices up further, as supplies dry up.

Soybean farmers are betting heavily on a disappointing North American crop, which would send world prices spiralling up even higher. Domestic soy prices are already well above the international market, forcing crushers to begin closing plants.

This is especially worrying because Brazil is losing the soy oil war to the US. Brazilian crushers have already lost the Indian market to subsidised US exports.

Brazilian farmers are taking huge gambles with their produce by betting very heavily on a continued price rise. Few farmers hedge their prices, because futures contracts are often badly written and the very concept of hedging is poorly understood.

Instead, farmers watch domestic and international price movements carefully, ready to act at the hint of downward price shifts.

This is risky. For example, a good US soy crop would bring world prices down as supplies surge. Falling world prices could deal Brazilian farm prices a body-blow. The effects of a bear market in soy would be magnified as farmers rushed to dump stocks, dragging all farm prices down rapidly.

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Now, output of soybeans, Brazil's most important export

Market observers say the output surge is due more to forces than to government policies. True, the Government bombarded farmers with billions of dollars of cheap credit and firmly supported prices of domestic staples.

However, Mr Stanley Haar, commercial director at Continental Grain's office in Sao Paulo, said: "The underlying factor was high world prices at planting time. Prices were very high, so the farmers just went out and planted more."

Mr Haar notes, though, that average yields have fallen. This year's 1.5 per cent rise in output has come more from the creation of new land than from better productivity.

Indeed, although Brazil is the

	1986-87	1987-88	% change
Soye	17.1	18.0	+5.5
Rice	10.6	11.8	+11
Corn	26.3	25.0	-4.7
Wheat	6.2	6.4	+3.5
Others	4.3	5.4	+25
Total	64.5	66	+1.5

Source: Companhia de Financiamento do Produto

But the bumper harvests along the so-called New Agricultural Frontiers are creating as many difficulties as they solve.

The most pressing problem is the transport system: railways do not exist; few farm roads, if any, are paved, which causes delays and adds to costs; the nearest processing, consuming and export centres lie up to 1,000 miles south, in Sao Paulo.

The Government is talking about building a waterway that would feed into the River Plate; produce from western Brazil could be shipped to Argentine or Uruguayan ports where it could be transhipped for export.

In spite of the big harvest, prices are still rising, inflation, running at 800 per cent a year, is keeping real interest rates high,

## World Commodities Prices

Commodity	Price	Change
Crude oil (per barrel FOB)	\$14.75-4.50	+0.06
Diesel	\$14.75-4.50	+0.06
WTI (per cwt)	\$17.42-7.50	+0.03
Oil products (NWE prompt delivery per tonne CIF)		
Premium Gasoline	0133-195	-1
Oil (per barrel)	0133-195	-1
Heavy Fuel Oil	0133-195	+1
Naphtha	0133-195	+1
Petroleum Argus Estimates		
Other		
Gold (per troy oz)	455.75	-0.25
Silver (per troy oz)	68.12	-0.25
Platinum (per troy oz)	1124.00	+0.25
Aluminium (per troy oz)	1320.00	+0.25
Copper (per troy oz)	102.00	+0.25
Lead (per troy oz)	102.00	+0.25
Nickel (per troy oz)	102.00	+0.25
Tin (European market)	12375	+0.5
Tin (Asian market)	12375	+0.5
Zinc (per troy oz)	112.25	-0.5
Zinc (US Euro West)	55.50	
Cattle (live weight)	112.30	
Sheep (lean weight)	28.14	
Pigs (live weight)	68.70	
London daily sugar (raw)	\$238.50	-2.0
London daily sugar (white)	\$251.50	-2.0
Tate and Lyle export price	\$255.50	-1.0
Berley (English feed)	1205	
Maize (US No. 3 yellow)	210.00	
Wheat (US Dark Northern)	219.00	
Rubber (RSS1)	82.70	+1.00
Rubber (RSS2)	85.50	+1.00
Rubber (RSS3)	85.75	+1.00
Rubber (RSS4)	85.75	+1.00
Rubber (RSS5)	85.75	+1.00
Coconut oil (Philippines)	\$530	-5
Palm oil (Malaysian)	\$440	+2.5
Cocoa (Philippines)	\$255	
Soybeans (US)	\$171	-0.5
Cotton "A" index	67.00	-4.5
Wooltops (Wool Super)	85.00	

Commodity	Price	Change
May	922	955
Jun	924	954
Jul	924	954
Aug	924	954
Sep	924	954
Oct	924	954
Nov	924	954
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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Australian \$ hits 80 US cents

THERE IS NO DOUBT that the market's fascination with the Australian dollar at present...

The US currency remained firm yesterday, but showed little reaction to confusing data on US growth and inflation.

An upward revision to 3.9 p.c. GNP growth in the first quarter, from an earlier estimate of 2.3 p.c. was higher than expected...

High interest rates are also a major factor supporting the Australian dollar, which is all part of the general attraction of high yielding currencies at present.

Others included in this group are the US dollar and sterling.

US interest rates are relatively high, after a recent tightening of monetary policy by the Federal Reserve.

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Gilts nervous and weak

UK GILT futures finished at the day's lows on London's futures market yesterday. A softer tone in US bonds and nervousness ahead of UK trade figures...

Trading was extremely subdued during the morning, and after starting at 120.17, unchanged from the previous close, the June contract lost ground during the day to finish at a low of 120.06.

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FINANCIAL FUTURES

US Treasury bond prices

US Treasury bond prices opened on a slightly firmer note, and showed little initial reaction to US GNP revisions for the first quarter of 1988.

Three-month Euro-dollar futures acted in much the same way, opening at \$2.34 for June delivery and shipping to \$2.30 at the close, down from \$2.38.

While sentiment in gilt futures was affected by a weaker US bond market, short sterling prices finished slightly up on the day. The June price finished at \$2.15, up from \$2.12 at the start and Wednesday's close.

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STERLING SPOT - FORWARD AGAINST THE POUND

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US TREASURY BOND FUTURES

Table with columns: Strike, Price, Call, Settlement, Put, Settlement, Price, Call, Settlement, Put, Settlement.

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EURO-DOLLAR FUTURES

Table with columns: Strike, Price, Call, Settlement, Put, Settlement, Price, Call, Settlement, Put, Settlement.

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CURRENCY RATES

Table with columns: Currency, Rate, % change, Previous.

CURRENCY MOVEMENTS

Table with columns: Currency, Rate, % change, Previous.

OTHER CURRENCIES

Table with columns: Currency, Rate, % change, Previous.

EXCHANGE CROSS RATES

Table with columns: Currency, Rate, % change, Previous.

FT INTERBANK FIXING

Table with columns: Currency, Rate, % change, Previous.

MONEY RATES

Table with columns: Currency, Rate, % change, Previous.

LONDON MONEY RATES

Table with columns: Currency, Rate, % change, Previous.

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FINANCIAL TIMES

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UNIT TRUST INFORMATION SERVICE

EUROPEAN OPTIONS EXCHANGE

Table of European Options Exchange data with columns for Series, Vol, Last, and Stock prices.

AUTHORISED UNIT TRUSTS

Table listing authorized unit trusts with columns for Name, Price, and other details.

Main table of Unit Trust Information Service listing various trusts, their managers, and performance metrics.

BASE LENDING RATES

Table of base lending rates for various banks and financial institutions.

JOTTER PAD: A grid for notes with a crossword puzzle section.

FT CROSSWORD No.6,641 SET BY DINMUTZ

Crossword puzzle grid with numbered squares for clues.

- ACROSS: 1 Branded, princess is to retire and pain (6-6) ... 25 Niggard is in the water off Calais (5) Solution to Puzzle No.6,640

- DOWN: 1 Officially type occupied with figure (6) ... 25 Niggard is in the water off Calais (5)

Continuation of Unit Trust Information Service table, listing numerous trusts and their details.

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هكذا على التوالي

FT UNIT TRUST INFORMATION SERVICE

Main table containing financial data for various unit trusts, including columns for company names, fund names, and numerical values. The table is organized into several vertical sections.

INSURANCES

Table listing insurance companies and their associated unit trusts, including details like company names and fund identifiers.

Continued on next page



FT UNIT TRUST INFORMATION SERVICE

Main table containing unit trust information with columns for company name, fund name, and numerical values.

MANAGEMENT SERVICES

Table listing management services and associated companies.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas investment options.

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FT UNIT TRUST INFORMATION SERVICE

Table listing various FT Unit Trusts with columns for Name, Fund Manager, and other details.

LONDON SHARE SERVICE

Table listing various British Funds and Foreign Bonds & Rails with columns for Name, Price, and other details.

Table listing various Money Market Trust Funds and Money Market Bank Accounts with columns for Name, Price, and other details.



LONDON SHARE SERVICE

AMERICANS - Contd

Table listing American stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS - Contd

Table listing building, timber, and roads stocks with columns for stock name, price, and change.

DRAPERY AND STORES - Contd

Table listing drapery and stores stocks with columns for stock name, price, and change.

ENGINEERING - Contd

Table listing engineering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel) - Contd

Table listing industrial stocks with columns for stock name, price, and change.

CANADIANS

Table listing Canadian stocks with columns for stock name, price, and change.

ELECTRICALS

Table listing electrical stocks with columns for stock name, price, and change.

BANKS, HP & LEASING

Table listing bank, HP, and leasing stocks with columns for stock name, price, and change.

CHEMICALS, PLASTICS

Table listing chemical and plastic stocks with columns for stock name, price, and change.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other stocks with columns for stock name, price, and change.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit stocks with columns for stock name, price, and change.

DRAPERY AND STORES

Table listing drapery and stores stocks with columns for stock name, price, and change.

HOTELS AND CATERERS

Table listing hotel and catering stocks with columns for stock name, price, and change.

BUILDING, TIMBER, ROADS

Table listing building, timber, and roads stocks with columns for stock name, price, and change.

ENGINEERING

Table listing engineering stocks with columns for stock name, price, and change.

INDUSTRIALS (Miscel)

Table listing industrial stocks with columns for stock name, price, and change.

INSURANCES

Table listing insurance stocks with columns for stock name, price, and change.

LEISURE

Table listing leisure stocks with columns for stock name, price, and change.

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LONDON SHARE SERVICE

LEISURE - Contd

Table of Leisure stocks including Leisure Group, Leisure Leisure, Leisure Leisure, etc.

PAPER, PRINTING, ADVERTISING - Contd

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

TEXTILES - Contd

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

TRUSTS, FINANCE, LAND - Contd

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

OIL AND GAS - Contd

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, etc.

MINES - Contd

Table of Mines stocks including Mines, Mines, Mines, etc.

PROPERTY

Table of Property stocks including Property, Property, Property, etc.

TOBACCO

Table of Tobacco stocks including Tobacco, Tobacco, Tobacco, etc.

TRUSTS, FINANCE, LAND

Table of Trusts, Finance, Land stocks including Trusts, Finance, Land, etc.

MOTORS, AIRCRAFT TRADES

Table of Motors, Aircraft Trades stocks including Motors, Aircraft Trades, etc.

Commercial Vehicles

Table of Commercial Vehicles stocks including Commercial Vehicles, etc.

Components

Table of Components stocks including Components, etc.

Garages and Distributors

Table of Garages and Distributors stocks including Garages and Distributors, etc.

NEWSPAPERS, PUBLISHERS

Table of Newspapers, Publishers stocks including Newspapers, Publishers, etc.

PAPER, PRINTING, ADVERTISING

Table of Paper, Printing, Advertising stocks including Paper, Printing, Advertising, etc.

SHIPPING

Table of Shipping stocks including Shipping, Shipping, Shipping, etc.

SHOES AND LEATHER

Table of Shoes and Leather stocks including Shoes and Leather, etc.

SOUTH AFRICANS

Table of South Africans stocks including South Africans, etc.

TEXTILES

Table of Textiles stocks including Textiles, Textiles, Textiles, etc.

Finance, Land, etc

Table of Finance, Land, etc stocks including Finance, Land, etc, etc.

OIL AND GAS

Table of Oil and Gas stocks including Oil and Gas, Oil and Gas, etc.

OVERSEAS TRADERS

Table of Overseas Traders stocks including Overseas Traders, etc.

PLANTATIONS

Table of Plantations stocks including Plantations, etc.

MINES

Table of Mines stocks including Mines, Mines, Mines, etc.

For West Rand

Table of For West Rand stocks including For West Rand, etc.

D.F.S.

Table of D.F.S. stocks including D.F.S., etc.

Central African

Table of Central African stocks including Central African, etc.

Finance

Table of Finance stocks including Finance, etc.

Australian

Table of Australian stocks including Australian, etc.

Miscellaneous

Table of Miscellaneous stocks including Miscellaneous, etc.

THIRD MARKET

Table of Third Market stocks including Third Market, etc.

NOTES

Stock Exchange listings are indicated to the right of the security name. An Alpha (A) or Gamma (G) indicates that the security is in issue and is subject to a call or conversion.

REGIONAL & IRISH STOCKS

Table of Regional & Irish Stocks including Regional & Irish Stocks, etc.

TRADITIONAL OPTIONS

Table of Traditional Options including Traditional Options, etc.







WORLD STOCK MARKETS

Table of stock market data for various regions including Australia, Canada, Germany, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, South Africa, Switzerland, Taiwan, Thailand, and the UK.

Table of stock market data for Canada, including Toronto and Montreal markets, listing various stocks and their prices.

Table of stock market data for various Asian and Pacific regions including Australia, Hong Kong, India, Japan, Korea, Malaysia, New Zealand, Singapore, South Africa, Switzerland, Taiwan, Thailand, and the UK.

Table titled 'OVER-THE-COUNTER' listing various over-the-counter stocks and their prices.

Table of stock market indices including Dow Jones, Nikkei, Hang Seng, and others, along with a section for 'NEW YORK ACTIVE STOCKS'.

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NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, and Change.

Table of AMEX Composite Prices listing various stocks with columns for High, Low, and Change.

OVER-THE-COUNTER

Nasdaq national market, 3pm Prices May 26

Table of Over-the-Counter prices listing various stocks with columns for High, Low, and Change.

Advertisement for 'Travelling on Business?' featuring the Financial Times newspaper and Hyatt Regency Brussels hotel.

Continued on Page 44



AMERICA

Dow takes higher GNP growth figure in its stride

Wall Street

EQUITIES proved more resilient than bonds in the face of news yesterday of a substantial upward revision in first quarter gross national product growth, writes Janet Bush in New York.

After an initially positive reaction to the figures in both markets because of an unexpected downward revision in the gross national product (GNP) price deflator, stocks and bonds started drifting lower as focus switched to the very high growth rate in the first quarter.

The stock market rose nearly 12 points during morning trading, helped partly by a surge in Texaco's share price following news late on Wednesday that investor Mr Carl Icahn was prepared to offer \$60 a share to buy Texaco after talks aimed at preventing a proxy fight for the company broke down.

At one stage, Texaco's price was up more than \$5, accounting for nearly half the morning gain in the Dow. By the close, however, it had eased back to stand \$3 1/4 higher at \$56 1/4 and the Dow index drifted back from its highs.

The Dow closed only 5.38 points higher at 1,988.75. Volume was substantially higher than the last four trading sessions with just under 165m shares changing hands as institutions and traders reacted to the news that first quarter GNP growth had been revised up to 3.9 per cent from the preliminary 2.3 per cent increase reported last month.

US Treasury bonds fared less well than equities in the wake of

the GNP revision, falling by as much as 1/4 point at one stage. Later in the session, losses in longer maturities were almost recouped with the Treasury's benchmark 30-year issue quoted only 1/4 point lower to yield 9.28 per cent. However, shorter-dated issues fell by as much as 1/2 point as speculation about higher interest rates pressured prices.

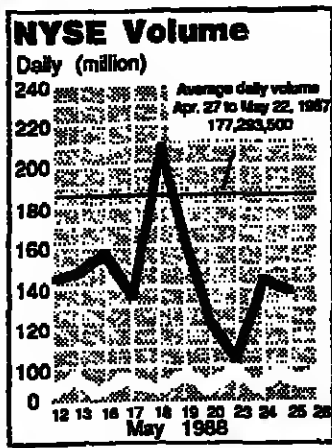
Although the revision in GNP growth was in line with expectations earlier this week, Tuesday had seen the bond market improve as forecasts drifted back to settle on growth of just over 3 per cent.

The GNP price deflator, a key indicator of inflation, was revised down to 1.7 per cent from 2.4 per cent in the Commerce Department's preliminary release. Skepticism about the accuracy of the downward revision in the price deflator seemed to emerge, given the signals of higher inflation provided by consumer and producer price figures in the first three months of the year.

In addition, both markets are again focusing on whether the US Federal Reserve is tightening policy. The Fed's money market operations have hinted at a tightening for most of this week.

Fed Funds rose to 7 1/4 per cent, the highest they have traded at, apart from an extreme technical situation, since October 19. The Fed did not intervene in the market, however, prompting speculation that it may be targeting its funds at near to 7 1/4 per cent.

There has been considerable disagreement on the extent of the Fed's tightening since the unemployment figures on May 6. Some



NYSE Volume Daily (million) Average daily volume Apr. 27 to May 22, 1988 177,283,000

analysts believed that the target range at that stage was raised to between 7 per cent and 7 1/2 per cent, and in recent days, has been nudged higher to between 7 1/4 per cent and 7 1/2 per cent. Other analysts believed that the initial tightening was to between 7 1/4 per cent and 7 1/2 per cent.

The key question is whether the bond market will react negatively to any confirmation of a further tightening or take heart at concrete action by the Fed to stave off higher inflation.

Among featured stocks on the equity market were Long Island Lighting Company which rose \$1 1/4 to \$11 1/4 after the company said it had reached tentative agreement with New York State which would abandon its Shoreham nuclear plant and the state would drop its acquisition proposal.

Media General's Class A shares rose \$2 1/4 to \$40 1/4 after Mr Burt Sugarman, the Hollywood producer, lost his proxy fight to elect a slate of directors to represent Class A shareholders.

Canada

FALLING GOLDS and base metal issues led share prices to a slight loss in quiet trading.

The composite index, which had risen about 4 points in earlier trading, fell 3.45 to 3,176.17 as declining stocks outnumbered those showing gains by 389 to 354.

Corporate news livens up low-volume bourses

EUROPE

A RASH of corporate news added spice to Europe yesterday, although most bourses ended just slightly higher or lower, writes Our Markets Staff.

MILAN was dragged lower in extremely thin volume by investors' concern over the future of Olivetti's link with AT&T of the US. The MIB index fell 2 to 974.

The Government's five-year plan to tackle the public deficit left investors unimpressed and had little effect on the market. One analyst said: "The Government doesn't seem to be able to grasp the nettle on the deficit, so the uncertainty has not been lifted."

Reports that AT&T might not use Olivetti, in which it has a stake of 22 per cent, as its future supplier for personal computers took the Italian office equipment specialist down L120 to L8,380. It continued falling after hours to reach L8,260, off 2.6 per cent.

Insurer Generali lost ground on disappointment over Wednesday's news that it did not intend to go for a blocking minority interest in Cie du Midi of France. Generali fell L140 to L83,850 and after hours hit L82,950.

Supermarket group Standa jumped L210, or 1.9 per cent, to L11,300 on strong demand. Volume was estimated to be as low as on the previous day at

L70m worth of shares, helping to exaggerate price movements. Few dealers were willing to commit themselves, analysts said.

PARIS saw some profit-taking after the strong gains seen on Wednesday, with news of a 1/4 point cut in key interest rates

SOUTH AFRICA saw its gold stocks slip in thin trading as the bullion price stayed near the day's lows.

Randfontein lost R5 to R245 and Kloof 50 cents to R31.25.

having been largely discounted by the market.

However, the fact that equities ended slightly higher underlined good resistance to the profit-taking, with the Indicateur de Tendence edging up 0.9 to 119.

Cie du Midi, which rose sharply on Wednesday on the suggestion that Generali wanted a blocking minority stake, fell to Y556 and NEC Y30 to Y2,130. Eisewerke, Sumitomo Bank and Nomura Securities shed Y40 to Y3,530 and Y30 to Y3,910 respectively.

Tokyo Electric Power declined Y40 to Y6,100. Bond prices continued to rise. Quick action by the dealing section of one securities house in snapping up Y100m worth of 6.1 per cent government bonds due soon, led dealers and institutional investors to believe that the market was more bullish than expected.

The yield on the bellwether 5.0 per cent government bond due in December 1997 fell from 4.645 per cent on Wednesday to 4.600 per cent in block trading on the Tokyo Stock Exchange. It slipped temporarily below 4.6 per cent to 4.595 per cent in inter-dealer trading.

On the Osaka Securities Exchange, giant capital stocks

for control of Télémechanique against Framatome.

Pharmaceuticals issue Sanofi put on FFR24, or 3.6 per cent, to FFR695 after the previous day's news that parent Elf-Aquitaine, unchanged at FFR292, expected good results in its chemicals and pharmaceuticals operations.

FRANKFURT was boosted initially by the slightly firmer dollar but the early rally ran out of steam and share prices dropped.

The dollar was fixed at DM1,7081 against DM1,7023 on Wednesday, cheating the morning market, as did good results from utility group Veba.

Concern that a new federal bond would be taken up only slowly, however, helped pull equities lower, and the FAZ index eased 0.77 to 442.4.

Vebe announced an 11 per cent rise in first quarter profits and rose DM1.80 to DM241, while Commerzbank, the country's third largest commercial bank, reported a strong rise in four months' earnings and edged up 50 pips to DM225.

Farm machinery and engineering company KHD added DM6 to DM108.80 on news that it could return to profitability this year. Bonds fell back after terms of the new 10-year bond were released - priced at DM99.50, it

London

CHOCOLATE maker Rowntree was the focus of attention in London as Swiss confectioner Jacobs Sachard weighed in with a bid. Cadbury Schweppes was also active.

But interest in international stocks fizzled out pending today's release of the April UK trade figures. The FT-SE 100 Index lost 2.6 to 1,783.3.

has a coupon of 6 1/2 per cent to yield 6.57 per cent.

ZURICH saw dull and lacklustre trading and closed virtually unchanged with the Credit Suisse index ending off 0.2 at 436.3.

Chocolate maker Jacobs Sachard added SF70 to SF7,499 after launching a bid for Rowntree, which the UK confectioner rejected. Rival bidder Nestlé rose SF910 to SF9,010.

AMSTERDAM edged up in tandem with the firmer dollar amid investor concern about the possibility of rises in world interest rates and the effect of the strong Dutch guilders on exports.

The upward revision of the US gross national product figure, released towards the end of bourse trading, produced little reaction. The ANPCBS general index put on 0.5 to 242.7.

Insurer Assurandocentrum Stad Rotterdam gained FI 3 to FI 123. The company predicted a profit rise of between 5 and 10 per cent this year.

Distiller Bols, which issued a statement declining to comment on a UK newspaper report that it might take a stake in Irish distillers Group of Dublin, moved up FI 3 to FI 120.

STOCKHOLM responded to lower domestic interest rates and optimism in other stock markets with a rise in busy trade.

The Affarvärlden general index reached its fifth post-crash high in a row, gaining 4.9 to 884.4 as turnover slipped to SKr492m from SKr443m.

MADRID eased as investors stayed on the sidelines, with the general index off just 0.05 to 271.18. Telefonos rose 2.87 points to 174 per cent of par after its good profits news on Wednesday.

BRUSSELS closed mixed amid continued lethargy, with the Brussels stock index up 7.28 to 4,844.23 on low volume.

Steelmaker Cockerill's stock closed unchanged at BF194, with about 11,000 shares changing hands.

HELSINKI rose to another record high in active trading with the Untas all-share index up 5.6 to 633.6.

ASIA

Opening rally loses steam on investor caution

Tokyo

THE WAIT for revised first quarter figures on US gross national product, due after the market closed, sent many investors to the sidelines and share prices closed slightly lower in Tokyo yesterday after a strong opening, writes Shirgeo Nishiwaki of Jiji Press.

The Nikkei average shot up 198 to the day's high of 27,641.49 shortly after the opening, but then dropped to a low of 27,403.87 and ended 15.41 down at 27,428.24.

Gains and losses were nearly even at 454 to 461, with 164 issues unchanged. Trading was active at 750m shares in the morning, but slowed later to total 1,200 shares against Wednesday's 1.5bn.

Investors initially stepped up buying, focusing on large capital stocks, as fears of inflation in the US subsided amid a slight strengthening of the dollar.

But the fast advance in share prices led to caution and investors held back as they waited for the revised US statistics.

Kawasaki Steel remained the most active stock, but its turnover halved from 158.5m shares to 79m. It finished unchanged at Y430 after rising Y3. Nippon Kokan, which was second with 67m shares traded, also closed unchanged at Y420, while Kobe Steel was Y2 down at Y367 after rising Y2.

Kawasaki Heavy Industries firmed Y6 to Y41. Demand continued for shares in companies involved in redevelopment projects, although buying was less than on Wednesday.

Japan Steel Works rose Y13 to Y518 and Tokyokobeiba, the horse racing track operator, added Y28 to Y965. Sumitomo Heavy Industries meanwhile lost Y10 to Y670.

Investors sought small and medium capital issues reporting good business results. Nachi-Fujikoshi scored a maximum allowable daily increase of Y100 to Y1,090, helped by rumours of strong demand from speculators.

Hazama-Gumi added Y29 to Y809 and Fujitec climbed Y101 to Y1,040.

Among other main gainers were Citizen Watch, which finished Y41 higher at Y810, and Noritake, Y70 up at Y1,240.

Buying focused on stocks priced below Y1,000 and analysts said investors were searching for quick profits.

High-tech issues drew little

demand, with Toshiba falling Y6 to Y556 and NEC Y30 to Y2,130. Eisewerke, Sumitomo Bank and Nomura Securities shed Y40 to Y3,530 and Y30 to Y3,910 respectively.

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the announcement of the sale of the company's luxury property portfolio, while HK Telecom recouped early losses to close 5 cents down at HK\$6.95.

Evergo saw 50m shares, 2.3 per cent of its equity, cross the market in five transactions, but it closed little changed at 42.5 cents, 3 cents better.

Rathow Orient was due to resume trading today after Polly Peck's offer for 96 per cent of its shares.

ATV rose 4 cents to HK\$1.90 after saying it had been approached about selling its wholly-owned Asia Television.

TURNOVER was HK\$782m, down from Wednesday's HK\$780m as uncertainty on Wall Street and a slowdown of the local economy subdued the market.

Bond international shares were suspended at HK\$1.56 pending

Rubber-related issues were particularly strong and the Straits Times industrial index rose 7.72 to 977.14 in moderate trading.

Several Singapore-based blue chips attracted interest and posted modest gains. But institutions were generally cautious. They were unwilling to take new positions in the absence of overseas leads, amid fears of interest rate hikes and inflation in the US and ahead of the local holiday on Monday. Rises fell back by 102 to 41 and turnover swelled to 34m shares from Wednesday's 24.1m.

Sime Darby led the market on turnover of 3.9m shares, rising 13 cents to S\$2.12, while Tan Chong Motors gained 1 cent to 57 cents with 3.4m shares traded.

Plantation stock New Serendah rose 15 cents to S\$2.15. Riverview was up 14 cents at S\$4.14, Harrisons up 12 cents at S\$4.02 and Consolidated Plantations climbed 11 cents to S\$2.65.

Singapore

RISING commodity prices focused attention on Malaysian speculative issues and plantation-based stocks as prices closed generally higher.

TURNOVER BY DIVISION Agriculture 38.5% Electronics 48.3% Textiles 13.2%

TURNOVER BY REGION Europe 33.6% Near and Middle East 36.4% Far East & others 7.1% North America 22.9%

Chris Sherwell on why equities are at a seven-month high

Australian stocks bounce back after mini-budget

AUSTRALIA'S stock markets soared to their highest level for seven months yesterday in a bullish response to Wednesday's mini-budget from Mr Paul Keating, the Federal Treasurer.

The widely-watched All Ordinaries index rose 23.3, pushing through the psychological barrier of 1,500 to finish at 1,513.8, the highest level since October 23, in the week of the global stock markets crash.

The trend was paralleled on the foreign exchange markets, where the Australian dollar rose a full point to 84.3 on a trade weighted basis.

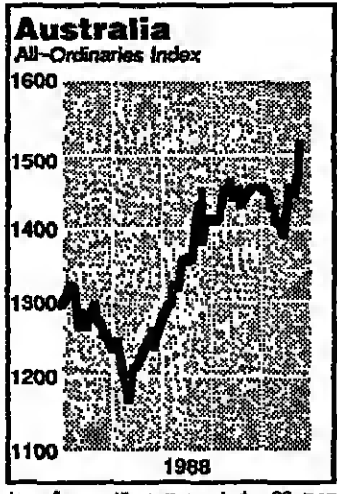
This is the highest it has been since the currency plummeted two years ago, after Mr Keating warned that Australia was in danger of becoming a "banana republic."

Equity gains came on the back of some of the heaviest trading of recent months, with 172m shares worth A\$499m changing hands. Analysts said the rally showed no immediate sign of petering out.

The index has now risen 125 points since May 12, when it last dipped below the 1,400 mark. That was the day Mr Keating signalled his tight fiscal stance by slashing funds for Australia's state governments.

Subsequent judicious leaking of his anticipated mini-budget has given more help, and yesterday the market, far from moving into profit-taking mode, decided that additional gains were to be made.

Several measures were significant for equities: The cut in corporate income



Australia All-Ordinaries Index 1986

Other measures include the crackdown on the use of tax havens by Australian multinational companies and a range of tariff cuts.

The changes were said yesterday to favour shares in companies with a high proportion of domestic earnings, high tax payments, relatively low levels of capital expenditure and little foreign competition.

The most marked price increases came from the Big Three commercial banks. Westpac gained 48 cents, or 7.5 per cent, to A\$6.90, ANZ Bank 34 cents to A\$4.66 and National Australia Bank 26 cents to A\$5.86.

Retailer Coles Myer rose 34 cents to A\$9.10. Burns Philp increased 22 cents to A\$3.80 and transport groups Brambles and Mayne Nickless - but not the more foreign-oriented TNT - showed strong gains.

Generally, industrial stocks surged. One breaking firm forecast a 6 per cent rise in its preferred group of leading industrial stocks.

Resources stocks, on the other hand, barely moved. Gold companies are reckoned to be profitable in spite of their new tax, while commodity prices remain the key to their mining shares.

Western Mining was steady at A\$3.70. Renison Goldfields lost 20 cents to A\$8.50.

At the end of the day, however, the measures are only likely to alter investors' choices at the margin. As one analyst said: "Most people buy a stock because they think it is going to go up." In short, fundamentals still matter.

FT - ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Table with columns: NATIONAL AND REGIONAL MARKETS, THURSDAY MAY 26 1988, WEDNESDAY MAY 25 1988, DOLLAR INDEX. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Pacific Basin, North America, World Ex, World Ex Japan, World Ex Japan (2002), The World Index (2458).

AN UNBROKEN RECORD OF EARNINGS GROWTH. POLLY PECK INTERNATIONAL PLC. INTERIM RESULTS FOR THE 26 WEEKS ENDED 27th FEBRUARY 1988. Table showing Unaudited 1988 and 1987 figures for Turnover, Profit Before Taxation, Profit After Taxation, Earnings per Share (Basic), and Dividend per Share (Net). Includes a bar chart showing Turnover by Division and Turnover by Region.

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# FINANCIAL TIMES SURVEY



Once, the county was known for its garden cities. Then, Stevenage marked the birth of the new towns movement.

Now, the key words are high technology. Business parks are doing well. But, despite the buoyancy, says Alastair Guild, there are still some areas of concern

## The high tech renaissance

HERTFORDSHIRE is in the middle of an economic and social renaissance, the third this century.

Garden cities, a concept conceived by Ebenezer Howard in the early 1900s and enshrined in Welwyn and Letchworth, first drew companies out of the smog and grime of 1930s London to well-ordered, green and pleasant estates. Stevenage marked the beginnings of the equally bold New Towns movement in 1940s Britain. It, and others in the south-east aimed to accommodate London overspill with companies such as British Aerospace, then English Electric Aviation, providing the employment base.

The county's third incarnation is as a much sought after location for high technology and service companies. Hertfordshire has benefited partly from regional factors, the most important being the completion of the M25 around London. The immediate effects were naturally felt in the county's south-west, with Watford now established as a major centre for offices, retailing and high tech companies. It is the fifth most expensive town, by

of Stansted's elevation to be London's third airport are already being felt. Essex and Hertfordshire, which strongly resisted the airport's expansion, are now seeking to channel housing to well-defined locations and economic development for the most part to largely well-established employment areas. They want to contain encroachment into the countryside, while, at the same time, minimising pressure on the infrastructure of towns such as Bishop's Stortford, already facing considerable traffic congestion.

But the county has taken steps itself to attract new investment eastwards. Helped by the completion of the A1 (M) tunnel at Hatfield, the A1 corridor campaign, a joint initiative by the county council and local authorities along the motorway, launched last May, has been extremely successful in promoting sites and premises for redevelopment or immediate occupation, largely on or adjacent to existing industrial areas.

The campaign unit, based within the county council, and district councils all report a remarkable rate of inquiries over the past 18 months or so, while the corridor is being talked of as the best location for Hertfordshire's first true science park, and for large-scale office parks, designed to attract major office relocations from London. The largest relocation so far was by Confederation Life in April from its Chancery Lane headquarters to a new 95,000 sq ft building in Stevenage housing 370 employees.

There are signs that the effects

of Stansted's elevation to be London's third airport are already being felt. Essex and Hertfordshire, which strongly resisted the airport's expansion, are now seeking to channel housing to well-defined locations and economic development for the most part to largely well-established employment areas. They want to contain encroachment into the countryside, while, at the same time, minimising pressure on the infrastructure of towns such as Bishop's Stortford, already facing considerable traffic congestion.

Some analysts doubt the realism of what has been termed a damage limitation policy. The high costs of Cambridge and London Docklands at either end of the M11 are prompting companies to look more closely at areas around Stansted. There is white land, between settlements and major roads, for example, where development could be sensibly accommodated, they say. Local authorities should be talking to developers to pinpoint such opportunities. Otherwise, they risk losing an application on appeal which might open the floodgates, in the words of one

consultant.

The presence, stretching back some 40 years, of notable aerospace, defence and pharmaceutical companies in Hertfordshire has undoubtedly been another factor in stimulating interest in the county, particularly from high technology companies.

Hertfordshire now has the highest concentration of high tech firms of any county in the UK, according to a recent study which showed a significant link between the share of defence expenditure in a region's gross domestic product and its relative concentration of high tech jobs.

Aerospace, defence and, to a lesser extent, pharmaceuticals have long been the largest employers. The number of direct jobs in aerospace and defence still approaches 25,000, with many more employed by subcontractors. There are more than 17 firms in the pharmaceutical sector employing a total of over 5,000 people. Aerospace and defence companies, in particular, have been through a period of rationalisation and uncertainty over orders. Lay-offs have resulted, but they have continued

to provide a prominent and dependable foundation.

Hertfordshire has a higher rate of small business start-ups than anywhere in the south-east. These have been most heavily concentrated around enterprise agencies which have often received support from companies following a redundancy programme. British Aerospace in Stevenage is one example.

These small businesses are increasingly looking to foreign markets, says Mr Gareth Osborne, chief executive of Hertfordshire Chamber of Commerce. Chamber income from export documentation preparation accounts for 54 per cent of the total, compared with the average for UK chambers of 39 per cent. But escalating land values, soon likely to reach £1m an acre in Welwyn, for example, are likely to curtail the provision of premises for start-ups.

At the same time, rising land costs and rents, and falling unemployment levels, from around 10 per cent in many districts in the early 1980s to present levels of around 5 per cent provide further evidence of the local economy's strength.

Hertfordshire has always performed very buoyantly, says David Woodhall, chief executive of the Commission for New Towns. The commission raised £50m last year from the sale of land and premises in Hemel Hempstead, Hatfield, Welwyn and Stevenage out of a total of £216m for the UK's 13 new towns. Hemel Hempstead accounts for a significant proportion of the £500m worth of property still to be realised by the commission in Hertfordshire, reflecting rapidly rising values in the town.

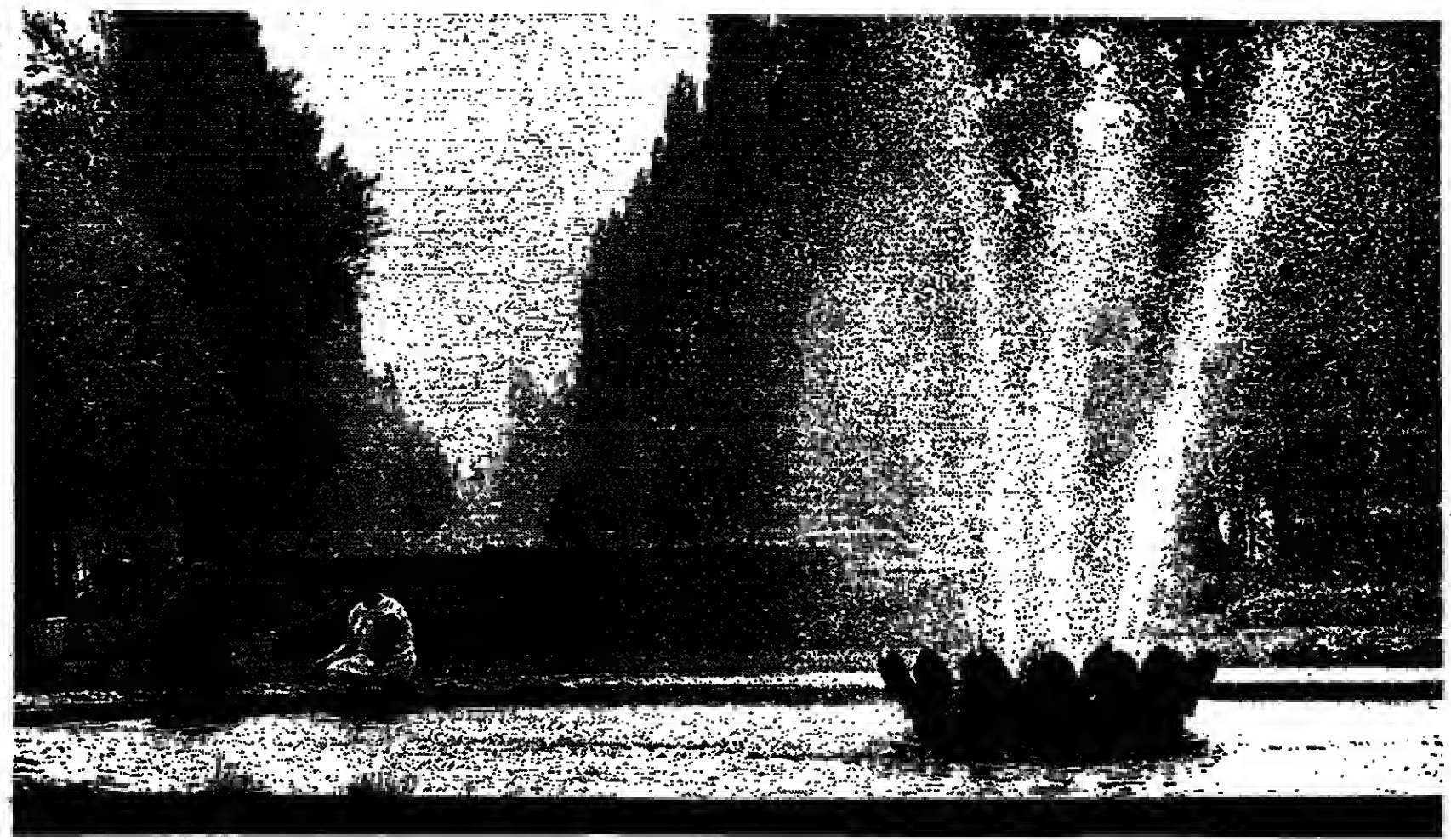
Peat Marwick McLintock, the first of the big eight accountancy firms to provide a full range of services from a Hertfordshire-based practice, in St Albans, and soon to be followed by Price Waterhouse, commissioned a survey of 44 Hertfordshire firms at the end of last year. All expected to create jobs this year and predicted substantial increases in turnover and investment. Excellent communication links, proximity to London, pleasant residential areas and accommodation were viewed as some of the key advantages of being based in Hertfordshire.

A major concern, however, and

a potential threat to most businesses' expansion plans was the extreme shortage of skilled staff. There are some 20,000 unemployed in Hertfordshire, or 4 per cent of the available workforce, with 10,000 of those out of work for more than six months. Yet there are 18,000 jobs unfilled, many of them in the office, retail and high technology sectors, all demanding new skills.

A labour market intelligence forum has been established to tackle the shortfall. Chaired by a representative from the county council's education department, it includes representatives from the careers service, MSC, Hatfield Polytechnic, colleges of further education and the council's planning and estates department. It is seeking to achieve a better match between the skills required by employers and the skills of potential employees.

Hertfordshire has one of the largest further education programmes of any county, and its 12 colleges of further education and polytechnic are working increasingly closely with industry to tailor courses to the requirements of the workplace. The partnership extends to the



## Hertfordshire

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Photograph of Welwyn Garden City (left) and others for this survey by Tony Andrews  
Map by Bob Hutchinson

provision of equipment to give students hands-on experience, with the cost being met by the colleges, industry and sometimes the Department of Trade and Industry.

There is an awareness that for balanced economic development to be possible there must also be a suitable range of sites and premises. With rising land costs, developers have been looking naturally for the highest return on their investment. Office developments on industrial sites are likely to become more common with the introduction of the BI business use class. The county council is closely monitoring the situation to ensure that an adequate supply of land is retained for more traditional industrial uses.

Housing is another area of concern. A survey by the Halifax Building Society indicated that the average price of a semi-detached house in the county has risen to over £83,000, about three times the level in some northern counties. That reflects the high incomes and mortgage capacity of Hertfordshire residents. The cost of housing is one factor inhibiting the recruitment of workers for many of the skilled job vacancies, though house prices are by no means uniform throughout the county. Local agents point to cheaper housing available in the north of Hertfordshire or in nearby Bedfordshire.

Increasing pressure on Hertfordshire's environment is uppermost in some people's minds when they voice their misgivings about the present pace of development. Major industries are becoming highly sensitive to environmental problems and actively seek improvements, says Mr Dennis Buntingham, campaign director for the Herts and Middlesex Wildlife Trust. But the new pressures on Hertfordshire's natural environment are of industrial development trampling unheeding along major trunk routes like the "ribbon" developments of the 1930s.

# EDUCATION & INDUSTRY SHARE OFFER in future talent and skills



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- Support on governing bodies
- Course design and development in colleges
- Curriculum and policy refinement for the 1990s and beyond

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For a 'prospectus' on the Hertfordshire partnership in education, contact: Mark Gore Education Dept., County Hall, Hertford, Phone (0992) 555809 Hertfordshire County Council



HERTFORDSHIRE 2

Alastair Guild on the interest generated by the A1 promotion campaign

Joint action increases awareness

TOWNS ALONG the A1, from Hatfield in the south to Baldock in the north, are now attracting companies to their industrial estates, business parks and town centres. The hullish demand for sites and premises along the corridor has even tempted the more daring to draw comparisons with the M4.

But before the launch of the A1 promotion campaign in May last year - a joint initiative by Hertfordshire County Council, Welwyn Hatfield, North Herts and Stevenage district councils and the Letchworth Garden City Corporation, to pool their resources in promoting the corridor - slugs of traffic were the only word to describe the level of interest in many areas. Each authority is this year contributing £7,000 to the campaign's £35,000 cost.

Whether the A1 corridor's changing fortunes can be entirely credited to the campaign is, admittedly, difficult to unravel from the 182's ripple effect, felt along most of the radial routes out of London. But it was unlikely that individual authorities, acting in isolation, could have had such an impact on perceptions outside the county, with investment interest, previously focused almost exclusively on Hertfordshire's south-west corner now advancing eastwards.

The campaign, co-ordinated from a unit in the county council and aiming to create 10,000 jobs in the area, has raised awareness of the A1 corridor's potential first through advertising and literature and then by building on responses to the publicity. A1 brochures have been sent to more than 7,000 companies and over 3,000 registers of premises have been distributed to estate agents, individuals and firms.

The registers, issued quarterly, are financed by sponsors of the promotion campaign, the latest by Barclays. A direct mailing to 2,000 companies was followed up using a tele-marketing company, involving 600 calls. Mailshots have produced several hundred inquiries and open days have given those companies with positive relocation plans an opportunity to learn more about what the corridor has to offer.

Local property agents were invited to join the A1 promotions committee, providing up-to-date information on the availability, practicality, level of prices and values of properties in answering property inquiries.

It is noticeable how many peo-

ple are now talking about the A1 corridor and the amount of interest being shown in space is remarkable, says Mr Andrew Egerton Smith, chief executive of Letchworth Garden City Corporation. "While 18 months ago people were saying the Letchworth business park would never get off the ground, now the bulk of the sites are already taken or are under very active negotiation, and this in an area where there is said to be a skills shortage."

The Hatfield tunnel has made an enormous difference to the area's appeal, he says. It has reduced travelling time to London by half an hour. "Before you had to drive round the edge of Hatfield on the A1, and the frightful traffic jams were a positive deterrent to investment in the area."

The business park's 56 acres were occupied by a 600 Group iron foundry until the late 1970s. The company has retained a small part of its premises to build cranes while George Cohen Machinery, part of the group, will soon move into a new office block being built on the park.

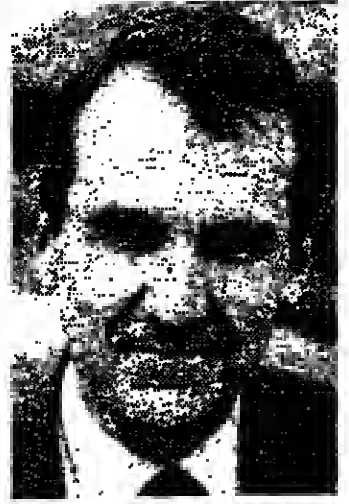
The rest of the park, which is being developed partly by the corporation and partly by PosTel, has attracted a wide range of firms, including an office relocation, a computer company, an out-of-town retail unit, a computer centre for Tesco, a company making electronic switch gear, with an office village development now under very active negotiation.

The village would comprise 40,000 sq ft of B1 space and four acres of owner-occupied units of up to 5,000 sq ft.

The corporation has invested £12m in the park's development and will invest a further £5m in new buildings to be let off rack rent. Once complete, within three years, the park will contain 1.25m sq ft. The number of people working there could reach 2,000.

"We have been so encouraged by the park's success that we are planning to bring forward a further eight acres of our land, half of it zoned for industry," says Mr Egerton Smith.

A 600,000 sq ft building vacated by Borg Warner in the early 1980s has been split up, giving 250,000 sq ft in total with 150,000 sq ft lost in exchange for improved access. Another 50,000 sq ft unit, being sub-divided into owner-occupied units of 1,500 to 2,000 sq ft is already sold. Letchworth has witnessed a dramatic



Mr Andrew Egerton Smith: "Remarkable interest"

reduction in unemployment levels. Borg Warner, the 600 Group and ICL either moved out or shed significant numbers of jobs. From virtual over-employment in the mid-1970s, unemployment reached 15 per cent in the early 1980s, but it is now down to 5.5 per cent.

"There are shortages of certain skills but we believe these can be met by retraining existing employees to take on greater responsibility and for vacancies created to be filled from within companies," says Mr Egerton Smith. A chartered accountant, basing between the LGCC and Letchworth businesses, is now talking to the local skills centre about ways in which such training might be provided.

"The A1 corridor campaign may need to change direction in the future because of the pace at which space is being taken up," says Mr Egerton Smith. "It may be necessary to concentrate on attracting quality rather than quantity, less manufacturing, more service-type employment. You see people commuting to London every day and wonder whether they shouldn't be working locally."

Stevenage, Britain's first new town, is already getting choosy about the types of firms it wants to see set up in the area, with the town running low on both office and industrial accommodation. Several electronics based companies, currently located in the M4 corridor, are apparently in various stages of negotiation with the borough council, attracted by lower living costs, the availability of skilled labour and the

improved accessibility along the A1 corridor.

Early last year the Gunpels Wood industrial area had 200,000 sq ft of industrial, warehousing and office space available, while a year later only 14,000 sq ft remained vacant. British Aerospace army weapons and space and communications division, Marconi Instruments, ICL and Combustion Engineering were already among the companies on the estate.

All the space is now taken in the Meadow Technology Park at the estate's northern end. Companies already on the park or soon to occupy sites include Manu-Life's training centre, Elopak, making milk cartons, relocating from cramped premises in Stevenage, while Wiltron, currently based on the Gunpelswood industrial estate, is taking the third main slice.

The Commission for New Towns is currently marketing two sites, of 8.5 acres and 10 acres, in Stevenage's second major industrial area, the Pin Green industrial estate. The Eagle Centre, 11.5 acres formerly occupied by Kodak which Stevenage Borough Council would like to see developed for industrial and commercial use, is the only large area proving difficult to move. The land's owners have other ideas, preferring to sell for retailing, but the borough council's opposition has been upheld several times on appeal.

But elsewhere in the town, there has been a healthy level of retail developments. The Westgate, a fashion-orientated, covered shopping centre just to the west of the town centre, is already half occupied, while Tesco and Boots are two of the stores committed to Town Centre North, now under construction. Office space has also been in demand. Confederation Life moved its UK headquarters from Chancery Lane in central London to a 95,000 sq ft building, with blue reflective glass, adjacent to the station. It houses 370 employees and the insurance company says it had no difficulty attracting key workers to move.

The town's Huntinggate office complex is almost fully let, while two refurbished office blocks in the town centre are now being let. Unemployment in Stevenage, at 6.1 per cent, is at its lowest since the recession of the early 1980s, and just below the regional average. At the Stevenage Employment Advice and

Resources Centre in-depth job counselling is available while SITEC, the Stevenage Information Technology Centre, providing training in electronics, places 80 per cent of trainees in employment.

Unemployment levels in Welwyn and Hatfield have long since peaked and are now down to 3.7 per cent. Demand for sites and premises in the district has been as buoyant as elsewhere along the corridor. Consolidation, and in some cases contraction, of older industries has brought forward areas for redevelopment.

Shire Park, once occupied by ICI Plastics, is one example, with a quarter of the 61 acres already redeveloped. The whole site has outline approval for redevelopment of a mixed character, including offices, high tech, R&D and warehousing and light industry. Digital acquired 11.75 acres and now occupies 75,000 sq ft of offices with room for a further 75,000 sq ft as required. Phase II, scheduled for completion next year, will bring forward eight buildings of the B1 business use class.

British Aerospace is expected to consolidate its civil aircraft division's operations on the existing site, and that is likely to produce some land for redevelopment. Mitsubishi recently moved its national headquarters to South Hatfield, occupying 50,000 sq ft of offices and 100,000 sq ft warehouses, while Xerox has chosen Welwyn Garden City for its 45,000 sq ft research and development centre.

There have been a number of developments of smaller units for high tech companies. The district council has itself completed two schemes and a third with a local developer.

The district has also seen a high level of activity on the retail side, the most significant developments being the 225,000 sq ft Park Plaza leisure goods shopping centre south of Hatfield, the 180,000 sq ft covered shopping precinct being built next to Welwyn Garden City railway station and a Tesco superstore on the outskirts of Hatfield.

North Herts has experienced industry closures as elsewhere in the A1 corridor though perhaps on a lesser scale, and so offering fewer opportunities for redevelopment. Unemployment peaked at 10.2 per cent in the early 1980s and has dropped to 4.9 per cent. Gam Gears closed its 15,000 sq metres factory in Hitchin, employing 370, in the early 1980s. The site has been redeveloped to provide 11,500 sq metres, split into 33 units, all of them let, with total employment of 230.

Dent Publishers rationalised its land holding, leaving scope for a development of six warehouse units. Inquiries for land or premises which North Herts, or indeed any other district cannot itself satisfy are channelled through the A1 corridor unit to other districts in the corridor, a further advantage of the concerted approach. The campaign's momentum will continue into next year when further activities are planned.

AEROSPACES manufacturing has been closely associated with Hertfordshire, and especially with the Hatfield area, for over 50 years, since the de Havilland Aircraft Company first moved into its new premises on a 400-acre site at Hatfield in 1934.

The company had run a flying school at Hatfield since 1930, while building its aircraft at its Stag Lane, Edgware, Middlesex, factory since its formation in 1920.

The de Havilland group, comprising aircraft, aero-engine, propeller and other companies, remained based at Hatfield through to its incorporation into Hawker Siddeley Aviation (HSA), part of the Hawker Siddeley Group, in 1960. But although the name changed, the factories did not. They remained at Hatfield, and have been considerably expanded.

HSA itself was nationalised in April, 1977, along with the British Aircraft Corporation, Hawker Siddeley Dynamics and Scottish Aviation, to form the state-owned British Aerospace, the biggest individual aerospace manufacturer in Western Europe and one of the largest in the world.

BAA, as it is generally known, was returned to the private sector in two stages, half the company being privatised in early 1981, and the remainder in mid-1985.

Hatfield has thus been the source of many of the most famous aircraft built in Britain, ranging from the long series of Moths which first made de Havilland's name in the 1920s, through to the Mosquito light bomber of the Second World War, the early jet fighters such as the Vampire and Venom, the piston-engine Doves and Herons, and the world's first jet airliner, the Comet, launched in 1949.

In the post-war period, the long line of aircraft continued with the Trident tri-jet airliner, and the Type 125 executive jet which is still in production today, together with the current major civil aircraft venture of the BAE group, the four-engine regional jet airliner, the Type 146.

This list is by no means exhaustive, for the de Havilland Group alone produced well over 100 separate designs. Not all were successful commercially, and there were some serious setbacks, notably with the Comet itself in the early 1950s. But overall, through the past 50 years or so, it is estimated that well over 20,000 aircraft of all kinds have emerged from the Hatfield factories.

Today, aerospace as a whole directly employs over 15,000 workers in Hertfordshire, with many more indirectly involved through sub-contractors, and equipment and component suppliers.

Civil aircraft manufacture in the Hatfield area alone employs about 4,500 workers. These are primarily involved on the twin-engine small business and executive jet, the Type 125, of which

sales to date stand at 694, and the Type 146 regional jet airliner, of which firm sales amount to 114 aircraft with options and commitments for another 64.

Some work is also done at Hatfield on Airbus wings, while at nearby Stevenage, BAE has established its Civil Aircraft Marketing Operations Centre, responsible for the marketing and the support world-wide of all the civil aircraft in the BAE stable - the 125 and 146, the Jetstream 31 (built at Frerewing, Scotland) and the Advanced Turboprop, built at Woodford, Manchester.

Early in the post-war period, the aircraft side of the aerospace industry in Hertfordshire was joined by the newly-developing guided missile activities. These initially included the de Havilland Firestreak air-to-air missile and the long-range ballistic missile Blue Streak but over the years have expanded substantially now to form the major element of aerospace activities in the area.

For on January 1 this year, British Aerospace set up its new Dynamics Division from the missile resources of its existing Air Weapons, Army Weapons and the Naval and Electronics Systems Divisions, with its headquarters at Stevenage.

This new division employs about 19,000 people, many of them (nearly 9,000) based at the Hertfordshire sites of Hatfield, Stevenage and Stevenage. Its remit for the European Space Agency, together with four other divisional sites as Bracknell, Bristol, Henlow, Loughborough and Plymouth.

The division has the widest range of missiles and defence related products in Europe. These are broadly divided into air, naval and army missile systems, and also include such products as mines and mine counter-measures systems, message handling systems, anti-submarine warfare systems, propellers, radomes, wind-turbines, electro-optic tracking systems, environmental control systems and a wide range of other equipment including gyroscopes and military computers.

Major missile programmes being undertaken by the Dynamics Division at Hatfield and Welwyn include the Alarm anti-radar missile under development for the RAF, anti-ship missiles such as Sea Eagle and Sea-Skua, and the advanced air-to-air missile, Skyflash.

Much work is also being carried out in association with overseas companies, particularly on the advanced short-range and medium-range air-to-air missiles Asraam and Anraam and on future stand-off air-to-surface missiles.

At Stevenage work is concentrated on the design, development and production of land-launched weapons systems. These broadly consist of the Rapier family of anti-aircraft missile systems and a range of anti-armor weapons systems, but in

addition there is a considerable amount of high technology work in other areas, such as gyroscope manufacture, radomes, microchip circuits and a wide range of mechanical, electrical and electronic engineering.

Although space activities centre after guided weapons, they have nevertheless also expanded and now form a major part of the aerospace industry's Hertfordshire activities.

The Space and Communications Division of BAE is responsible for all the space activities within the company, and is the largest organisation of its kind in Europe. It is also the largest supplier of communications satellites outside the US, and the third largest in the Western world.

The division's headquarters are at Stevenage, where it employs some 1,750 personnel. Product areas include satellites for telecommunications, TV distribution and direct broadcasting, together with specialised business services, mobile telecommunications and transportable Earth Stations.

Current projects for which BAE is prime contractor include the manufacture of five European Communications Satellites (ECS) and the large multi-purpose Olympus 1 communications satellite for the European Space Agency, together with four International Maritime Satellite Organisation, three SkyNet 4 military communications satellites for the UK Defence Ministry, and two Nato IV military comasts.

The company is also a partner with Matra Espace of France in Satcom International, which markets the medium-sized EuroStar platform.

The division manufactures the Spelda external loadbearing dual-launcher unit, which enables Europe's Ariane 4 rocket to launch two or more satellites during the same mission. In addition, the company provides the launcher release gear for Ariane.

BAE has also proposed an entirely new type of space vehicle - the Hotel for Horizontal Take-Off and Landing, a revolutionary unmanned launcher which will turn engineering dreams into reality, by providing economic and reliable access to space. These totally reusable vehicles, capable of taking off and landing horizontally on normal runways, will deliver up to eight tonnes of cargo into orbit and then return to earth.

Hotel is currently under joint study by BAE and Rolls-Royce, with financial support from the Department of Trade and Industry, and it is hoped that further development contracts will eventually be forthcoming.

Michael Donne  
Aerospace Correspondent

Aerospace

Hatfield is home to many famous aircraft

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HERTFORDSHIRE 4

Alastair Guild on links between industry and the county's further education colleges

Teaching with an eye on tomorrow

THE COUNTY'S schools and colleges of further education are working closely with industry to tailor courses to the requirements of the growing electronics-related and service sectors. The benefits of such liaison are reflected in the low long-term unemployment rate for young people. Most school-leavers find employment or go on to further education by the autumn term.

The county council's labour market information officer works with companies to reach a better understanding of the labour market, plotting trends in the local economy and feeding information through to colleges so they can adjust their programmes. The technical vocational educational initiative, grant-aided by central government and running in Hertfordshire since the early 1980s, aims to make school curricula relevant to the world of work.

The 12 further education colleges spread across Hertfordshire each offer courses with a strong vocational bias, many with a high degree of specialisation.

Watford Technical College's programme, for example, is orientated towards printing technology and engineering. Stevenage runs courses in microwave technology, while North Herts College is strong in business studies.

The staffing requirements of Hertfordshire's increasingly buoyant financial services sector are now making themselves felt. Large companies relocating to the area may bring professional

and managerial staff or advertise nationally, but they still rely on local recruitment for administrative support. Those with legal expertise, a knowledge of personnel management or computer skills are at a special premium.

With 70,000 students taking day release or full-time courses, 1,500 full-time lecturers and many part-time specialists, Hertfordshire has one of the largest further education programmes in the UK. "We see the part-time course being of greater relevance to industry and that's the area we will be pushing," says Mr John Evans, the county council's principal assistant education officer for further education.

Each of the further education colleges is appointing a marketing person. The county council is investing £200,000 in the scheme, one of the largest in the country.

Joint deals are now common-  
place in Hertfordshire with industry and the Department of Trade and Industry matching money invested by the county council in the latest equipment. "We're becoming bolder in that area, a bit more aggressive," says Mr Evans.

A recent example is the purchase of printing equipment for Watford Technical College, with the county putting in £70,000, printing employers £70,000 and the DTI also matching the county pound for pound.

When another John Evans, became principal of de Havilland College, four years ago, he found

the college in a sorry state. "I went round local companies, explaining my commitment to industry and suggesting we should have a partnership to rebuild the college," he says.

Every square metre of the college, on five sites in the county, was refurbished, much of the work carried out by teaching staff during the vacation.

"We then approached the DTI, explained the ready money we'd had from industry, and the department matched industrial funding." The local authority was impressed and put in substantial extra money. The college last year generated nearly £1m from external sources, with the local authority contributing £7m towards running costs.

GEC Avionics approached de Havilland two years ago with a requirement for training in software engineering. The college had no previous background in that discipline, but within two months an HNC course, with 20 places, was fully enrolled and running. Students spend one day in the classroom and four days in industry. Equipment was provided by GEC, Hawker Siddeley, British Aerospace and other companies, with much support funding for expensive real-time programming equipment directly from the DTI. Teaching staff came initially from industry, but the college's own lecturers have built up their own expertise by company visits.

The Department of Education

and Science, encouraged by the success of the software engineering initiative, is paying, through the local collaborative project for two college staff to work full-time in industry for one year, focusing on advanced manufacturing technology. They will report back on industry's training needs.

Taking pride of place on John Evans' office wall is a thermal map of central Hertfordshire, taken from 460 miles up by Landsat 5. The college's National Centre for Cartography is linked up to the satellite, with the DTI acting as catalyst in providing pump-priming funds for the centre and industry funding nearly all necessary equipment. The centre takes 80 students a year, 20 per cent of them from overseas. Graduates, who receive a BTEC diploma in cartography, find jobs in land surveying or go on to take degrees, many of them at Hatfield Polytechnic.

Training for the distribution sector is one area about which Mr Evans is concerned. Distribution firms are flocking to the county because of its strategic position. Last year 68 per cent of Hertfordshire's school-leavers went into distribution or retail employment. "But I haven't got one member of staff or one student in distribution," he admits.

Hatfield Polytechnic, with 5,000 students and six faculties, not only aims to reflect the needs of industry in its undergraduate course provision but sells its expertise to local companies,

both in the form of consultancy and short courses.

"We go to industry to find what their training or retraining needs are, and customise short courses accordingly," says Kathleen Levine, the polytechnic's short courses manager. Some examples are stress engineering and CAD courses run for British Aerospace, software engineering and microprocessing courses for Marconi and a staff management programme for Tesco.

"We package courses for smaller companies, identifying a company's needs and finding other companies with the same requirements, so making it more cost-effective," says Ms Levine. The polytechnic recently opened a computer centre with eight DEC Vaxs. The enhanced computer power of 100 dumb terminals and 80 micros networked into the centre from offices and laboratories across the Hatfield campus benefits the polytechnic, with £2m earned each year from research and consultancy.

The move by Glaxo of its research centre to Stevenage will have major repercussions, both in terms of collaboration and the number of part-time students, says Dr Tom Hanneke, director of studies for biological sciences.

Biotechnology is an area where the polytechnic is fast developing a considerable reputation. It was one of five institutions to bid successfully for money under the National Advisory Board's biotechnology initiative, receiving

initially £44,000, increasing annually by small increments. The polytechnic recently completed a biotechnology suite for small batch production, at a cost of £100,000, next to its chemical process laboratory.

It now offers a two-year day release master's degree in biotechnology, with places for over 16 students. The course concentrates on enzyme and fermentation technology, plant and cell tissue culture, process technology with at the end of the final year a major research project.

Polyfield Services, a company closely associated with the polytechnic, helps small to medium-sized companies within a 45-minute radius of the campus to meet quality assurance standards. Though it has access to central polytechnic services, "it is a completely arm's length company and entirely self-supporting," says Alan Younger, its managing director.

Polyfield Electronics, a sister company also based at Hatfield Polytechnic, provides confidential consultancy, acting as the contact point for industry wanting to tap expertise within the division of electrical and electronic engineering.

The polytechnic expects to hear next month whether it is one of the 10 institutes of higher education to receive funding under the MSC's Enterprise initiative. All polytechnics and universities are eligible to apply, and Hatfield has made the last 20.



John Evans, head of de Havilland College, in his automation centre

Stansted Airport

Why planners are in a pickle

PRESSURE ON areas around Stansted will increase in the next 24 months, culminating in a number of crunch planning applications and appeals. That is the view of some analysts who believe that local authorities might as well accept it and make preparations accordingly.

If councils take an intransigent view towards commercial development and lose on appeal, then that could open up the flood-gates, says Mark Prisk, manager of the London office of Derrick Wade and Waters, property and design consultants. The danger is that they will lose control of what is the eventual outcome.

Any vestige of strategic planning to accommodate the natural increase in population in the area (which would have occurred without Stansted's housing allocation) has been for a "damage limitation" policy to keep newcomers and businesses away, says Andrew Noyes, a property analyst with Bidwells in Cambridge.

A different interpretation is put on events by local planning authorities. Essex and Hertfordshire county councils and East Hertfordshire and Uttlesford district councils reached agreement in May last year on how they wish to see development accommodated as the airport builds up to 8m passengers a year by the early 1990s.

Their aim is to limit the impact of the airport in this area of attractive undulating and productive countryside, most of which is Grade 2 agricultural land.

The local authorities' objective is to direct all airport-related employment to the airport site; to channel spin-off economic activity to the area to towns, while spreading the economic benefits to Harlow and Braintree in particular; and to locate most of the additional housing related to Stansted's expansion near the airport, with Bishop's Stortford accommodating an additional 1,000 dwellings, Harlow 1,100 and Uttlesford district 900.

They want to phase all airport-related housing, with Harlow providing the first phase starting before 1991. Brentnall Park, a development of 3,500 houses in

Harlow was recently given the go-ahead by the Environment Secretary. Competing schemes have been drawn up for Bishop's Stortford's housing allocation. Elsewhere, new housing is not required until the 1990s, and will be phased with the build-up of employment at the airport.

A further 1,000 airport-related houses will be needed within the Stansted catchment area, broadly defined at the public inquiry as within a 30-minute travel time from the airport but beyond the area defined as being close to Stansted, or within 15 minutes' travelling time.

The growth of the airport site will generate economic activity, but there is no inevitability nor regional requirement or justification to plan for further economic development in the immediate vicinity, continues the statement. Sites already exist for economic development outside the airport perimeter, including 54 hectares of land at Harlow, with a 17-hectare business park, and provision in the town for commercial office development, and further from the airport, 36 hectares of land at Braintree. Additional provision is being explored within the airport's catchment area.

But there is a question-mark in the minds of the property fraternity whether that will prove sufficient. The Stansted area is likely to be seen increasingly as a preferred location, particularly for high tech companies, as land prices soar at either end of the M11 corridor, in Cambridge and London Docklands.

Land values in Harlow for industrial use stand at £250,000 an acre, and for pure office schemes range from £450,000 to £500,000. The asking price in Cambridge for land for B1 uses ranges from £650,000 to £800,000 an acre, while in London Docklands, land for commercial development will fetch £1m upwards.

Harlow and Bishop's Stortford have been under the greatest pressure so far for commercial and industrial development, though Bishop's Stortford already suffers from considerable traffic congestion. But areas within the town centre are vacant or underused.

Stevenage Walden may be the next town to feel the heat. There is still land waiting to be redeveloped and brought forward in towns like Stevenage, which also falls within the Stansted catchment area, but such opportunities are fast running out.

More and more companies are wanting to locate along the M11 corridor for reasons other than land prices. As 1992 approaches, the communications advantages of being near London's third airport will prove attractive.

High-level managers of multinational companies with a plant in central or east Herts already talk of the convenience of Stansted, with total journey time to Paris or Brussels, door-to-door, of as little as two hours.

"Companies tend to want to go where their directors want to live, and they may prefer to live outside London," says Mr Prisk. The residential market along the M11 continues to rise rapidly. A small Victorian terraced house in Bishop's Stortford, for example, which sold for £27,500 in 1985 might now be expected to fetch more than £55,000.

Harlow may have taken most of the commercial pressure so far, but there is likely to be an appeal at some stage over an office or business park scheme.

"There are a number of towns and villages where land is designated as green belt, but falls between being lush fields and urban ribbon development. Such 'white land' often ends up as a tip or being abused. There's a case for much more infilling adjacent to the airport," says Mr Prisk.

That the local authorities resolve on development around Stansted will eventually be put to the test seems beyond doubt. What would be a reasonable compromise on the green belt for property investors may appear as the thin end of the wedge to county and district councils. The final judgement is likely to rest with the Secretary of State for Environment.

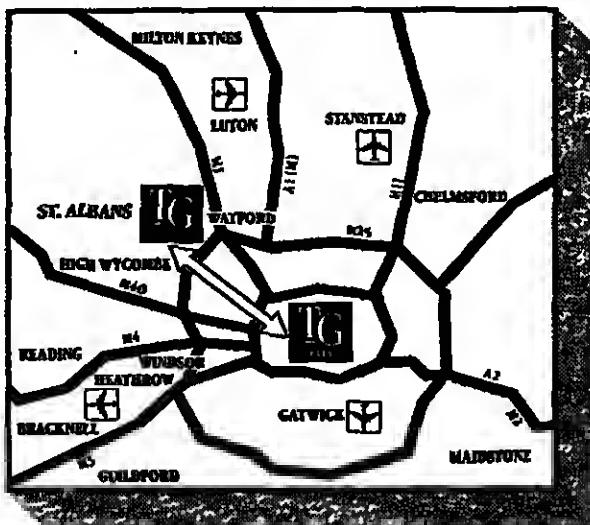
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**WORLDWIDE**



## HERTFORDSHIRE 5

**AEROSPACE, DEFENCE** and pharmaceuticals have long provided Hertfordshire's industrial base, with many small to medium-sized companies benefiting from sub-contract work for the major employers. But service industries are starting to provide a welcome diversity.

The number directly employed in aerospace and defence in the county approaches 25,000, according to estimates from the Herts Business Databank at Hatfield Polytechnic. British Aerospace at Stevenage and Hatfield account for 15,000 jobs, with Rolls-Royce, Lucas Aerospace, GEC Avionics, Racal Acoustics, Hawker Siddeley Dynamics and Irvin (GB) being the other significant defence employers. Hertfordshire has the fourth highest concentration of defence industry sites of any county in the UK.

There are, in addition, many electronics companies involved to some extent in the defence industry, with Marconi Instruments, ICL and GEC Computers being among the more significant, and many smaller firms providing components or site-related support services.

There continues to be some concern about the county's dependence on companies which are themselves dependent on defence contracts and government procurement policies. British Aerospace is still the predominant employer in Stevenage, accounting for over 20 per cent of those in work.

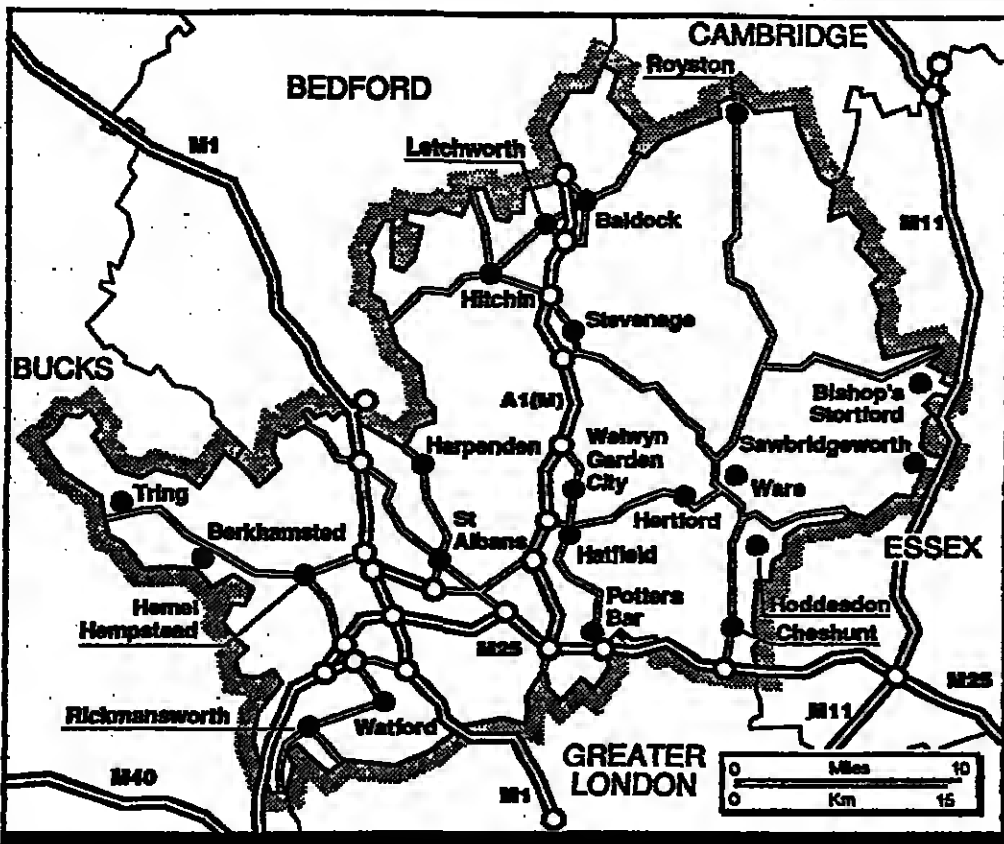
Without British Aerospace, Stevenage would have become a ghost town. One study of its impact on the town. Of the top 10 companies in Stevenage 10 years ago, only BAE, ICL and Combustion Engineering of the private sector companies remain.

Kodak, ICI (Visqueen), Bowermaster and CPT Data Peripherals pulled out of the town in the early 1980s. Many of the surviving large companies such as ICL, Platinium and Taylor Instruments laid off staff. Employment at BAE during this period was stable, though last year the total was 400 below its 1985 peak of 8,600, reflecting productivity and efficiency drives.

The presence of companies such as BAE have been one of the factors influencing other high technology companies to move to Hertfordshire. There is a cumulative effect: one feeds off the other, says Iain Begg, a research officer in the department of applied economics at Cambridge University.

A study last year by Mr Begg and Gordon Cameron, professor of land economy at Cambridge found that Hertfordshire has the highest concentration of high tech of any county in the UK, or twice the national average.

The study also showed a statistically significant link between the share of defence expenditure in a region's total gross domestic product and its relative concentration of high-tech jobs. Pharmaceuticals, the other single most significant sector in the Hertfordshire economy, accounts for 5,600 jobs across 17 firms. It



Alastair Guld looks at the county's industrial base

## The beacon of BAE

has grown in importance consistently since the late 1930s, though some firms have moved production out of the county as industrial space becomes at a premium. Roche and Smith, Kline and French are two of the large companies to have kept manufacturing and distribution in the county, as well as research and administration, while Glaxo is consolidating its research activities in Stevenage.

The growth of the services sector is, by contrast, a new phenomenon in Hertfordshire, one of the most significant examples to date being Confederation Life which moved its UK headquar-

ters from Chancery Lane in central London to a new 95,000 sq ft building in Stevenage housing 370 staff. Many employees came with the company from London.

National Westminster has just announced that it is moving its south-east regional office from Lombard Street to Borehamwood. Watford already has a significant services sector. National Westminster International has located a regional banking centre in the town, while large insurance companies such as Sun Alliance, and the venture capital organisation, Investors in Industry, have also set up major regional centres there.

The decision by two of the big eight accountancy firms to set up in Hertfordshire is another sign of the buoyancy of the county's economy. Peat Marwick McLintock has already opened its St Albans office, while Price Waterhouse expects to move into its new building, also in St Albans, before the end of the year.

Initially employing 50 staff at its new 12,000 sq ft headquarters, Peat Marwick plans to double its employees through local recruitment in the next two years.

Its practice will offer firms in Hertfordshire, south Bedfordshire and east Buckinghamshire local and direct access to expertise in management buyouts, USM and full Stock Exchange flotations. It is already helping half a dozen firms prepare business plans for banks and venture capital funds, though it has not yet formally launched its business services department.

Price Waterhouse is taking a lease on a 26,000 sq ft property, and will be starting with a staff of 100, with seven partners, offering tax advice, corporate reconstruction expertise, management consultancy and financial services.

"The practice will cover as far north as Midland Keynes and Cambridge. That, if so happens, is Peat Marwick's torch-on roofing system which embraces insurance cover, a comprehensive guarantee, design advisory service and installation by approved roofers.

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ever, a flat roof can be damaged. Accidents, workmen installing or maintaining equipment on the roof, debris blocking rainwater outlets, bris, even wind-borne leaves are cited by Permanite as pitfalls from above.

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HERTFORDSHIRE 6

Garden cities

Taking to the tablets

THE NEXT time you brush your teeth or pick up a packet of pills from the chemist take a look at the packaging. There is more than an even chance that Hertfordshire will figure somewhere.

The county has had a strong pharmaceutical presence since the 1930s. It was the area's environment, as typified by its garden cities of Letchworth and Welwyn, that originally provided the right sort of atmosphere for research scientists' creativity to flourish. A history of Roche puts it this way: Roche of the 1930s and Welwyn Garden City were, it would seem, made for each other. The company was becoming increasingly successful in an innovative and expanding industry; the Garden City was the practical embodiment of a bold idealism, breaking away from the satanic factories and the sprawling slums spawned by the Industrial Revolution, and creating instead, a pleasant, modern setting, with plenty of space, light and air, for people to live in and to work. Welwyn also had easy access to London and good road and rail links with the rest of the country.

Roche acquired a 999-year lease on a six-acre site, the heart of the company in Britain today. Some 90,000 sq ft are now devoted to the manufacture and packaging of drugs and medicines, with 150 employed in production. Every year 1,300m tablets, 350m capsules, 18m ampoules and 10m packs of one sort or other leave the Welwyn plant, accounting for 55 per cent of the drugs sold by Roche in Britain today.

The company has also invested heavily in research facilities on the site, building in 1982 a 24m extension to its research unit, providing 110,000 sq ft in total. This has provided the 200 scientists with, among other benefits, instant access, from computer terminals, to information stored both in Welwyn and at the group headquarters in Basle, as well as to other medical and scientific data banks. Current expenditure

on research and development at Welwyn is £11m a year.

Welwyn is also the location for Roche's vitamin and chemical warehousing and distribution centre. Communications are good for both products distribution and employee travel and visitors to the site, says Roche. The company has a major vitamin and chemicals production facility at Dalry in Ayrshire, as well as in Basle. Heathrow is reasonably accessible, while Luton Airport is used increasingly for trips to Roche's subsidiary in Dublin.

Stafford Miller set up in Hertfordshire also in the 1930s, though it transferred production to Wales and Plymouth 10 years ago for lack of land on which to expand its factory. The company then employed 120. Its staff now totals 350, of whom 70 are marketing and headquarters staff, with the rest in production. Stafford Miller is soon to move from 12,000 sq ft of offices in Hatfield to 30,000 sq ft in Welwyn Garden City.

Block Drug New Jersey, Stafford Miller's parent, has its main research centre in the US, where it has developed such products as Sensodyne toothpaste and other oral hygiene aids bearing that brand name, denture products and prescription drugs. But Stafford Miller exports from the UK to 59 countries in 22 languages and dialects. UK turnover is £30m, about 40 per cent accounted for by exports.

"We are a very marketing-oriented company and most of the facilities we need, such as advertising agencies, are London-based," says Mr Tom Kelly, Stafford Miller's managing director. "If we moved our headquarters to



Tom Kelly, managing director of Hatfield-based Stafford Miller

Plymouth, we would spend a lot of time commuting."

All staff, including computer operators, clerical grades and those with accountancy skills, are recruited locally, but senior management tends to come from outside the county.

Glaxo, with its main research and development site at Ware, is building a new centre on 70 acres in Stevenage, where research activities, currently split between Ware and Greenford in London, will be consolidated. This is intended to increase productivity and efficiency from research. There will be 600 chemists and 800 biologists working at Stevenage. Some staff will transfer from Ware, but 600 support employees will be recruited locally.

At Ware, up to 200 staff are recruited each year, in the ratio of three technicians to two gradu-

ates, and about 100 of those are local. The minimum requirements are four or five Ordinary levels, including English and Maths. A few of these entrants have progressed to doctorates while working at Glaxo, something the company encourages.

Development work at present carried out in Greenford is to move to Ware. The term development covers quality control, pharmacy, or in what form the drug will eventually be delivered, toxicological testing and clinical evaluation.

The bulk of Glaxo's full-scale production takes place in the north of England and Scotland. Research has to be based in the South because "we need the dialogue with academics," says Dr Roy Brittain, principal research director, Glaxo Group Research.

"We have contacts with London and Cambridge universities, and

undertake joint collaborative research, though we do that with universities elsewhere in the country. It is the ease with which you can attend evening symposia or society meetings in London that is so convenient."

Glaxo also makes use of the contract research facilities at the Huntingdon Research Centre, 35 miles from Ware, while it sends staff to Hatfield Polytechnic for further education, providing chemistry graduates, for example, with a basic course in biology.

US-owned Smith, Kline and French makes up the quartet of large pharmaceutical companies based in Hertfordshire, moving to the county from south London in the late 1960s. Welwyn Garden City is now the site for all production for the UK and overseas markets, pharmaceutical development, analytical and quality control, and UK and overseas administration, with a total of 1,650 employees. Vaccines are the only products which the company supplies in the UK that are made overseas, in Belgium.

The company's research centre moved from Welwyn Garden City to a 39-acre site nearby at Frythe in 1977 with an investment of £40m, while warehousing and distribution is based not far away at The Ridgeway. Research is also carried out in Philadelphia and Belgium. The majority of SKP's production and administration staff are recruited locally. The company says communications are good for distribution of its products, transported by van to wholesalers throughout the UK. But it does have to cast its net quite widely for some materials required.

There are companies which, if they set up in Hertfordshire, could supply a significant proportion of their products to the county's pharmaceutical industry, though whether such companies could depend entirely on such business is another matter.

Alastair Guild

Retail, office and high tech developments

A property boom

HERTFORDSHIRE IS experiencing a countywide property boom. Interest is no longer focused exclusively on established centres such as St Albans and Watford, but is moving steadily eastwards and northwards, writes Alastair Guild.

The completion of the M25 provided the initial impetus, at least in the south-west of the county. Improvements to communications elsewhere in Hertfordshire have added to its attractions for firms spurred to look outside central London and Docklands by rents pushed sharply upwards because of high rates of take-up. But Hertfordshire is itself not without constraints. The county council has expressed its concern about the amount of industrial land already lost to residential development, particularly in the north and east of the county.

It is also monitoring proposals for office schemes on industrial sites. These are thought likely to become more common because the new B1 Business Use Class, for planning purposes, no longer distinguishes between offices and light industrial uses. The loss of industrial land is likely to continue as light industrial users find themselves unable to compete with office users for land and premises.

The county council has sought to encourage improvements to the fabric of some of the older industrial areas by making pump-priming resources available through its capital programme, to secure the re-use of vacant premises, provide accommodation to small firms, improve operating conditions, provide extra car parking and environmental improvements.

But Welwyn and Hatfield district council has indicated it will not grant any more B1 consents for offices since there is already 750,000 sq ft of this type of space with planning consent. It wants to channel other types of B1 use, such as high tech and traditional light industry, towards the fringes of employment areas and keep much of these areas for general industrial schemes.

The majority of the 2.7 per cent unemployed in its area are unskilled and, says the council, they are unlikely to find work in offices or high tech buildings. The shortage of standard industrial and warehouse accommodation in parts of Hertfordshire, at least, is confirmed by Mike Ayton of Hillier Parker. "We are finding it very difficult to satisfy clients' demands for that sort of space."

"We carried out a search in St Albans and Hatfield for units of between 30,000 and 40,000 sq ft and found less than half a dozen opportunities. With the changes in use classes, developers are now looking more closely at industrial estates, but it doesn't necessarily mean that companies will rush to take that space."

But towns are constrained also by surrounding countryside. There have been, as a result, few out-of-town sites available for development, a notable exception being the BP headquarters building at Hemel Hempstead. Most of the new towns are now mature with very little development land left, says Mike Davies, a partner in local agents Mount Bann.

"There would have to be a lot of rental pressure to make it viable to clear and rebuild the older industrial and commercial areas."

So far that has happened to any great extent only in Hemel Hempstead. There rents (a sq ft) for commercial offices have reached £13, for high tech premises £9 and for industrial warehousing £7.

Hemel Hempstead has experienced more high tech developments than the rest of the county put together, though for a long time there was a high vacancy rate due largely to the large block of development and the low standard of some schemes.

The north of the county may be the next to experience development pressures, says Mr Davies. "High tech buildings are expensive to build and, until recently, there hasn't been any clear indication that investors would achieve sufficiently high rental growth in northern Hertfordshire. But it is only a matter of time before that changes. Stevenage and Letchworth offer great potential." The price for

industrial land in Letchworth is £250,000 an acre, compared with £750,000 in Hatfield, yet the two towns are only 15 minutes away by car.

The full impact on property of the decision to expand Stansted airport has yet to be felt, but a small indicator is the rise in office rents in Bishop's Cleeve over the past two years, from £6.50 a sq ft to £11.50 a sq ft.

Perhaps the greatest turnaround in property terms is being enacted along the A1 corridor. "We are looking at a handful of business park possibilities in Welwyn and Hatfield which developers have not yet seriously considered," says Edward Woolston of Knight, Frank and Rutley. "These will provide property designed offices in a business park setting, in effect office parks and far that we will get top

pany, based in Hertfordshire, sited one of its two main south-east distribution depots at Welham Green, and next year opens two further depots in the region, one of them at Harlow.

The M25 has also opened up massive catchment areas for supermarkets, and Hertfordshire has more intersections than any other county. It is at one of those intersections, the Golden Triangle at Brickwood, that the county council's policy on both green belt and out-of-town shopping will be put to the test. The inquiry into the 750,000 sq ft scheme was completed in March.

The county council has also contested a smaller-scale proposal for a Save-a-Centre at another M25 intersection at London Colney. This was for an area of land zoned for industrial use. The council wants to maintain the county's pool of industrial land and the application will go to appeal.

Access point

GRANADA LEISURE relocated from London to its head office in St Albans in 1974. The site was chosen for its ease of access to Granada's sites operating in the north and south, and with the opening of the M25 travelling east and west is now much simplified.

At its St Albans headquarters the company, part of the Granada Group, houses its accounts department, which is linked by computer to sites around the country. Also there are its building and publicity departments as well as central administrative sections.

Rents of £20 a sq ft and upwards for fully fitted space. Most business parks in Hertfordshire so far have been piecemeal developments tacked on to existing industrial estates. He expects the 100-acre site "will open up a totally new market for companies to relocate from central London."

Meanwhile, demand for office space in St Albans, which has benefited from improved rail links to London, and Watford, just off the M25, continues unabated.

Rents in St Albans could well follow the trend of Maidenhead in Berkshire and break the £25 a sq ft barrier once a 10,000 sq metre scheme on a three-acre site by the Abbey station comes through, says Mr Woolston.

Office rents in Watford, which already rank it as the fifth most expensive town in the south-east region, are now rumoured to have risen above £20 a sq ft.

The south-west of Hertfordshire is also the area to have experienced most pressure so far for large, out-of-town retail schemes, though development activity has also been healthy in town centres throughout the county. An indication of just how healthy is the £100m figure for investment by Tesco in Hertfordshire over the past three years.

Tesco has also chosen Hertfordshire as the location for its first joint development with Marks and Spencer. The com-

Stevenage, Watford and Welwyn Garden City are three of the towns to benefit from major retail schemes in or adjoining their centres, while Park Plaza, being built on the roof of the A1 Hatfield tunnel, is among the large out-of-town retail developments going ahead on non green belt land.

Green belt policy is also having an important bearing on housing developments. Counsellors have been crying in or adjoining their centres, while Park Plaza, being built on the roof of the A1 Hatfield tunnel, is among the large out-of-town retail developments going ahead on non green belt land.

Green belt policy is also having an important bearing on housing developments. Counsellors have been crying in or adjoining their centres, while Park Plaza, being built on the roof of the A1 Hatfield tunnel, is among the large out-of-town retail developments going ahead on non green belt land.

Various modifications to the green belt have been proposed, nevertheless, to allow for more housing. A county council suggestion that green belt boundaries be redrawn to provide for 1,200 homes at Hemel Hempstead was turned down by the Secretary of State. A planning application was submitted recently for a housing development to the north-east of Stevenage. However, the council's proposal that green belt boundaries be amended to allow for 2,000 dwellings was scaled down to 1,600 houses by the Secretary of State.

Consideration has also been given to the use of land at present occupied by hospitals, closed or due for closure. Some of these, the county council suggested, should be taken out of the green belt and used for housing. The Secretary of State says that the scope for other institutional uses must first be explored and that redevelopment should be limited to the existing built-up area.

Hertfordshire is likely to face increasing demands on its housing stock. Most district councils are now examining alternatives to council homes, such as housing associations.

The county council has been conducting a study of Hertfordshire's housing problems and what opportunities there are for tackling its housing needs. These suggestions will be contained in a draft paper, due next month.

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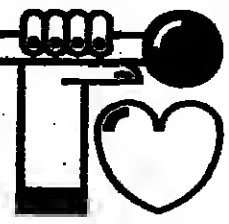
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SECTION IV

FINANCIAL TIMES SURVEY



It is an enabling technology capable of enhancing many industrial activities. For many investors,

however, biotechnology is simply a new way of inventing miraculous cures, which helps account for the volatility of the market. A survey by David Fishlock, Science Editor

Investors and enthusiasts

BIOTECHNOLOGY'S potential is undiminished - only the investor's perception has changed, a banker assured a conference in London recently, arranged by Swiss Bank to update European investors, analysts and fund managers on some of the progress and changes. He estimated that over \$2bn had been raised in the capital markets in support of biotechnology companies.

By any absolute standards, the pace of biotechnology has been breakneck since the mid-1970s, when the subject shed its old image of industrial microbiology and re-emerged in a glamorous new guise. Where previously it had been restricted to the micro-organisms that nature provided, now the bioscience could begin to design organisms to do the job required.

The changes promised ranged all the way from making microbes more in tune with the climate and pace of the production line, to mimicking and even improving upon nature, by augmenting the flow of a host of complex chemicals used normally by our bodies. Some of the names of these chemicals - interferons, interleukins, insulin - became household words.

At the same time a more subtle change occurred in the industrial practice of microbiology, the fermentation or mass culture of microbes. Industry learned - sometimes expensively - that what had been a craft long associated with highly prized foods and drinks, and from the 1940s with antibiotics, now needed much higher technical standards. For consistent results and high productivity, it needed the kind of quality control and quality assurance at every stage that is associated with the aerospace, micro-electronics and nuclear industries.

In short, biotechnology is "high technology" in a way industrial microbiology never was, with all that implies in the overheads of the operation and the calibre of people needed to use it successfully. It needs people imbued with special standards of care if it is to succeed commercially.

Biotechnology is not an industry but an "enabling technology" which could be of assistance to a much wider range of industrial activities than microbiology. Those who recognise this fact most clearly are the specialised investment trusts such as Biotechnology Investments with its astonishing diversity of technical interests, and trade associations such as the Association for the Advancement of British Biotechnology (AABB), trying to cater for such diversity.

For many investors, however, biotechnology remains simply the prospect of inventing a drug for what has been thought an incurable affliction. For them, a biotechnology company is a bioscience research team with a prodigious appetite for cash, and a portfolio of ideas culled from academia for fashioning drugs to overcome such diseases as cancers, heart disease, rheumatism, arthritis, Aids and other virus infections, and inborn metabolic disorders. The widespread yearning to defeat some of these ills - especially cancer - is already plain from the generosity with which research charities are funded.

Collectively, the biotechnology investor can have little cause for complaint with these "biotechnology boutiques." True, it usually took longer and cost more than the scientist said, but no-one should have been fooled by that. True, too, there have been disappointments such as interferin, which has not yet proved the panacea once predicted.

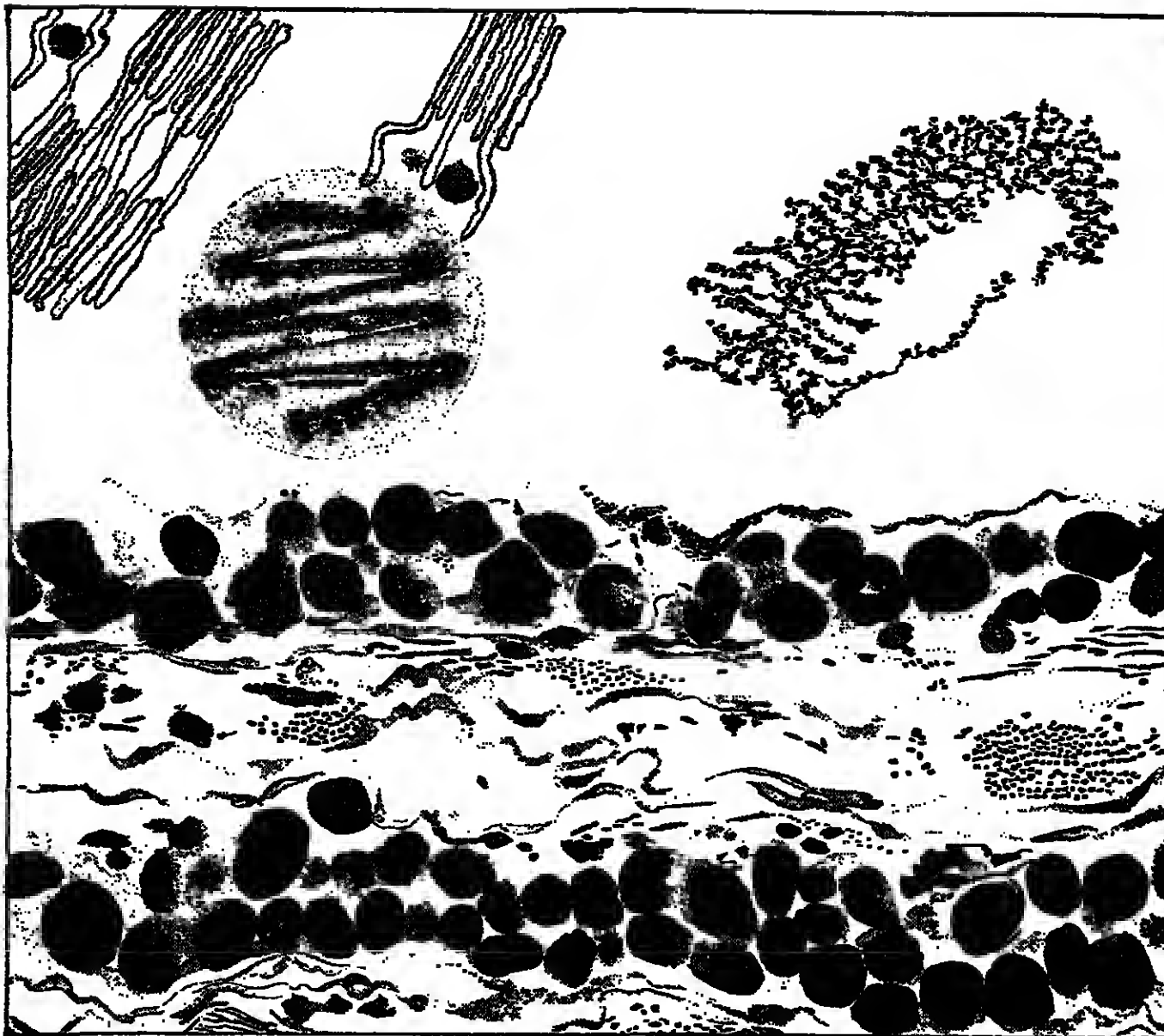
But the boutiques, led by Genentech whose formula has been widely - if not always carefully - copied, are certainly achieving their targets. A popular one in the early-1980s was tissue plasminogen activator (t-PA) for dissolving blood clots. Several research teams have succeeded here and t-PA reached the market in the US late last year.

More surprisingly, most of the boutiques launched in the late 1970s and early 1980s survive and can still raise cash for their research. Few have folded or been bought out. The biotechnology trusts report that invitations to fund new biotechnology ventures are coming in at an accelerating rate, currently three or four a week, mostly from the US.

The technologies in which such ventures specialise is steadily widening. Recombinant DNA or "gene-splicing", the original technique to which the term genetic engineering was applied, remains the dominant one. It has proved a very powerful and versatile way of modifying microbes to make them more useful workhorses. The hybridoma technique of making monoclonal antibodies has also proved powerful and increasing versatile, and will become more so following its successful fusion with gene-splicing to "humanise" animal antibodies.

These two techniques have stimulated a host of associated opportunities for biotechnology: machines which can imitate the skills of the molecular biologist in unravelling genetic structure or synthesising a gene; membranes crafted with the exquisite precision of a living cell wall, claimed for example to remove alcohol from a beverage without changing its flavour; a way of cultivating a patient's own skin cells to grow pieces of living skin for grafting.

The beauty of many of these



Biotechnology

peripheral opportunities for biotechnology is that, while promising to solve real and widespread problems, they may avoid the expense and delay inevitable nowadays in demonstrating efficacy and safety in a new drug. If the bio-enthusiast has misled the investor at all, it is in underplaying both the time and the cost of convincing regulatory authorities. The established drug industry recognised this from the start. Moreover, the painful experiences of such companies as British Petroleum, ICI, Nestle and Ranks Hovis McDougall in the 1970s provided ample evidence that biotechnology applied to new foods and animal feeds would also face formidable regulatory hurdles.

If further evidence is needed in 1988 that biotechnology has won a place in our society, it can perhaps be found in the pages of Private Eye this month, which mocks the pretensions of the Cambridge company Plant Breeding International in trying to convey its message by means of what it calls a "crisply contemporary" logo representing "the union of science and nature."

Craver problems, however, face biotechnology as it emerges from a decade of frenetic research and development into a world which has sometimes treated the elitism of high technology very harshly. A major concern of the trade association AABB, representing about 80 firms out of a catchment of perhaps 100 in Britain, is regulation as it affects manufacture and testing of genetically engineered products.

Some European Community governments are voicing views about the alleged risks of environmental release of modified microbes - whether deliberately in agriculture and elsewhere or inadvertently in an industrial leak - which appear to parallel their fears about nuclear power. Mr Alex Williams, the Government Chemist, in charge of Britain's support programme for biotechnology, endorses the AABB's worries that biotechnology in Britain could be done what he calls "a great disservice" by an ill-considered EC regulatory regime.

He believes there is general agreement in Whitehall for the scientific view that risks are very low and can be contained by a regime that will not hobble industrial progress.

Mr Ed Trehwells, the AABB's secretary, and his chairman Dr Peter Rodgers, say the association generally supports the prin-

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New ways to get into blood			

ciples of the three proposed European directives currently being circulated for comment. What worries them most is how long it takes to get European legislation approved.

Closely associated with regulatory worries is the question of public information on biotechnology, and its role in maintaining the present benevolence of British public opinion generally. Pockets of intemperate antagonism - the Vegetarian Society recently castigated the proposed use of bovine growth hormone to boost milk yields as "perverted high-tech husbandry" promoted by an industry desperate to get "returns for importunate investors" - convince the AABB that it must help create and maintain a well-informed public throughout the EC.

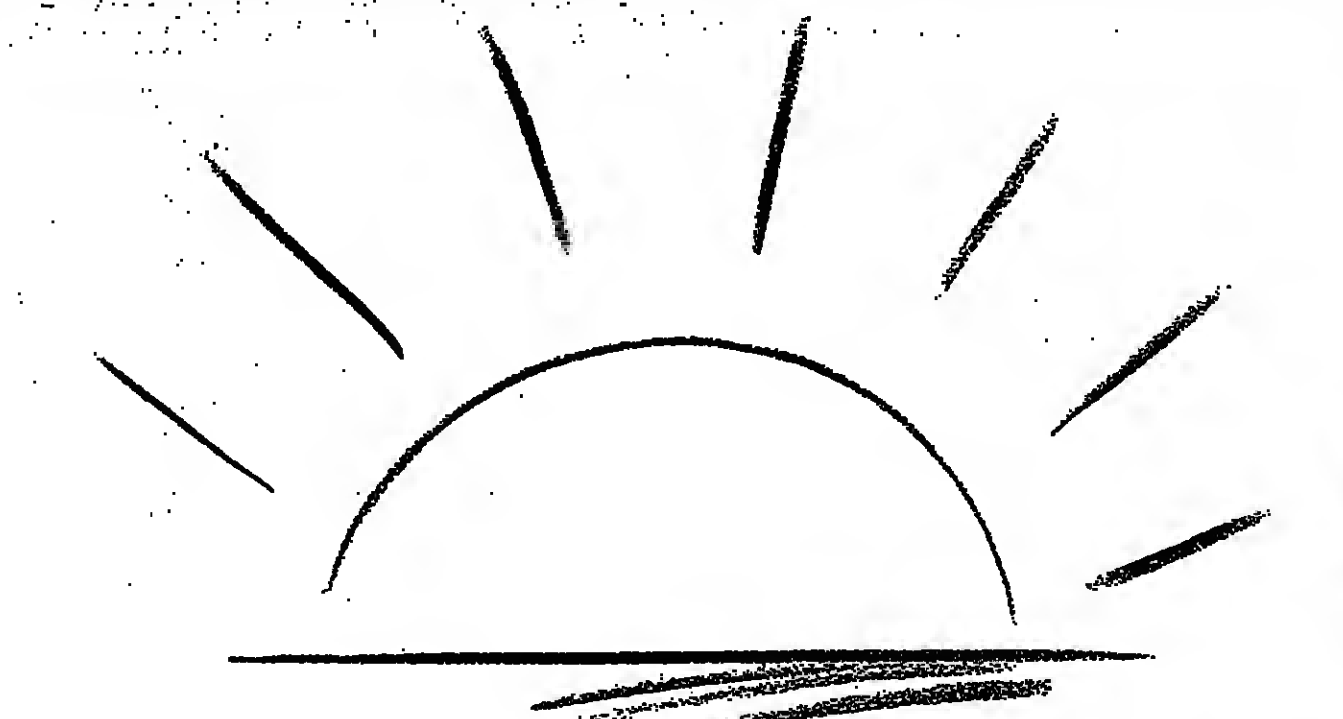
Manpower - the risk of specific skill shortages - is another factor which could cramp progress. Evidence comes from the Cambridge company Plant Breeding International in trying to convey its message by means of what it calls a "crisply contemporary" logo representing "the union of science and nature."

He forecasts a 10-15 per cent annual growth in demand for professional staff, and growing emphasis on plant molecular biology, downstream processing, protein engineering and biochemical engineering. He foresees an intensifying of present skill shortages in plant molecular biology and in key specialities within bioprocess technology.

Mr Pearson warns that the US can be expected to increase its efforts to recruit from Europe to assuage its own fast-growing demand for bio-skills.

Flow of finance is one further worry for the development of biotechnology generally. There are still some obstacles to ensuring that the highest ideas are backed. Some of them are rooted in questions about who should own the intellectual property, with dons believing that without their ideas there would be nothing to invest in, while commercial experience tends to teach that good management rather than academic brilliance is the key to success.

As the Government Chemist acknowledges, companies can be unhappy about putting their money into something they do not own. The answer lies in convincing the dons that they will receive "just rewards" even though they are assigning control of their intellectual property to the company.



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BIOTECHNOLOGY 2

Two specialist trusts and a number of funds have been set up to invest in the sector

# Ventures that may appeal to the heart of the City

THE PAST year has been turbulent for biotechnology shares, for three reasons at least.

First, just a year ago came the bad news for Genentech that it had failed to win the approval of the US Food and Drug Administration for its genetically engineered tissue plasminogen activator (t-PA). This setback for the undoubted market leader among the new research biotechnology companies adversely affected a large number of bio-shares.

The other two reasons were not specific to biotechnology. They were the Wall Street crash

Leathers, fund manager. Both funds rank evidence of management skill more highly than evidence of an original idea in deciding where to invest.

The October crash which caused the Rothschild portfolio to plummet (see chart) proved a boon to the new fund. Abingworth raised \$50m in August and was "very fortunate in having an instant bear market in October," says Mr Leathers.

There was much distress selling in biotechnology and at this time he made investments in such quoted US shares as Amgen.

**Both of the biotechnology funds report that there has been a healthy flow of fresh invitations to invest in unquoted companies, particularly from the US, but also, to a lesser extent, from the UK**

in October and its consequences for stock markets worldwide, and what Lord Rothschild, chairman of Biotechnology Investments, the N.M. Rothschild biotechnology trust, calls the "disequilibrating gyrations in exchange rates, particularly involving the US dollar."

Biotechnology Investments, touchstone of investors by virtue of the sheer professionalism it has brought to bio-investment through the team of managers and scientific advisers built up by Lord Rothschild since 1981, suffered a more personal setback last year. Two fund managers left to form a new bio-investment trust for Abingworth Management.

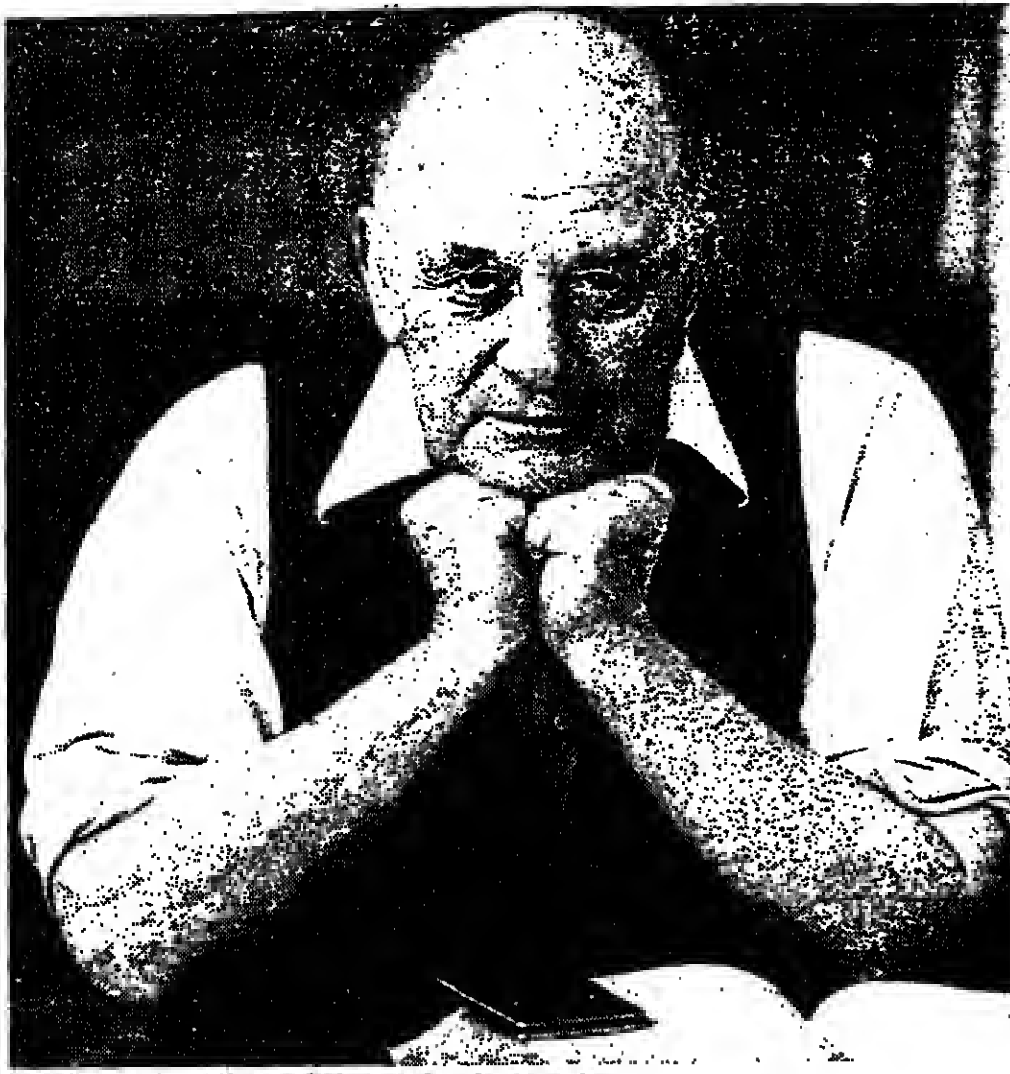
They paid their former employer the tribute of launching Biotechnology Venture Fund with "exactly the same investment policy as Biotechnology Investments," says Mr David

Centocor, Immune and Genetics Institute - all leading US research companies launched in the 1980s primarily to develop new therapeutic drugs.

Both of these funds report a healthy flow of fresh invitations to invest in unquoted companies, particularly from the US. Biotechnology Investments, under its new fund manager, Mr Jeremy Curdock Cook, reports 99 proposals for the six months to end-November, compared with 48 for the same period the year before. Of these, 78 came from the US and 15 from Britain, leaving only seven from the rest of the world.

Biotechnology Venture Fund reports a flow of about three proposals a week, of which 75 per cent come from the US and 20 per cent from Britain. So far it has invested \$15m in both unquoted and quoted shares.

Biotechnology Investments



Lord Rothschild, chairman of Biotechnology Investments

now has a portfolio of 48 unquoted investments, 33 in the US, 12 in Britain, one in Ireland and two elsewhere in Europe. The fund has recovered, says Mr Cook. What began in 1981 as a \$50m trust is valued today at about \$140m.

But there is other evidence besides these two specialist trusts that the City is taking biotechnology seriously as a potential source of money-spinning new products, especially therapeutic drugs.

Two new venture capital funds, launched in London this year, have stressed healthcare and biotechnology as targets. They also express confidence that Europe will try to match US enthusiasm for launching new bio-ventures.

Guinness Mahon, the merchant bank, has set up Medpro, a trust to launch medical and surgical companies with a common theme of improving the efficiency and

productivity of medical practice. It takes its cue from the rising cost of medical care and a belief among its fund managers that biotechnology in its manifold forms can make an important contribution to cost control, for example by shortening the time spent by patients in hospital beds. They believe it means spending more money close to the patient, to enhance efficiency, says Dr Brian Burroughs.

Since the Medpro trust has a lifespan of only eight years, it will not be venturing into drug development. Its managers - all claiming considerable industrial experience - want to see clear evidence of an exit route for its new ventures; a point also stressed by the new management

bank, has set up Medpro, a trust to launch medical and surgical companies with a common theme of improving the efficiency and

Charterhouse Bank has launched a 240m European venture capital fund with a strong emphasis on biotechnology and healthcare. In particular, it is seeking new British ventures and co-operation with European venture capital sources.

The Charterhouse managers see the sector as very suitable for venture capital - "large, rapidly growing, international and not normally susceptible to economic cycles."

Their confidence is rooted in a smaller fund launched for Charterhouse in 1984, by Dr John Walker, which has invested about £4m in six biotechnology and healthcare start-ups. Dr

Walker expects half of his new fund to be invested in these two sectors.

Charterhouse Venture Fund and Guinness Mahon collaborated in one start-up earlier this year, when they helped launch Bioprocessing Associates, a company with a new way of processing blood. Its technology meets the Medpro criteria for it promises to reduce dramatically the cost of fractionating blood.

Before joining Charterhouse Dr Walker had launched 34 Ventures into biotechnology with such investments as Celltech, Imperial Biotechnology and Plant Science. The 34 portfolio, managed today by Mr Philip Morgan and Dr Sheela Kapadia, now numbers six investments, all based on university or teaching hospital ideas. Celltech has been sold, but new ventures include Biocompatibles, involving the Royal Free Hospital, London, and Brunel University in a venture to exploit new medical materials, coatings and devices.

The "anteprius cheque" scheme is a new initiative to finance developments which are past the basic research stage and seem to have reasonable commercial potential. Dr Kapadia says. It was launched last year by 34 in response to a demand it perceived for small sums of cash to allow dons to prove feasibility or collect extra data for ideas that are past the proof-of-principle stage.

Under the scheme, 34 buys a minority stake in the idea for a payment averaging £25,000, in the form of seed money - not a loan, it stresses - that can be made available with minimal delay. "We see this as a risk investment which could give us a head start by being chess to the deal should it materialise." Four cheques

have been signed so far.

In March, the Association for the Advancement of British Biotechnology published a brief survey of the attitudes of venture capitalists towards investing in biotechnology, which it had commissioned from Venture Link investors. Ms Hilary Marsh, an association council member, interviewed managers from 14 British funds, with the aim of establishing their level of enthusiasm and the characteristics most likely to help a proposal succeed or fail with the banker. The 14 funds had all made biotechnology investments - in total, more than £36m in British

- over-valuation;
- need for large investment (pharmaceuticals only);
- uncertainty about product protection.

Asked how many years they would consider it reasonable to wait for first profits from a biotechnology investment, all said they would be satisfied with profits inside four years. Some said their patience would extend to seven years. Only four said they were willing to wait more than seven years to realise their investment.

**Nearly all fund managers were interested in pharmaceuticals and bio-process equipment, followed by diagnostics and plant agriculture. Fewer were looking for opportunities in food and drink or environmental control**

ventures - and were interested in investing more.

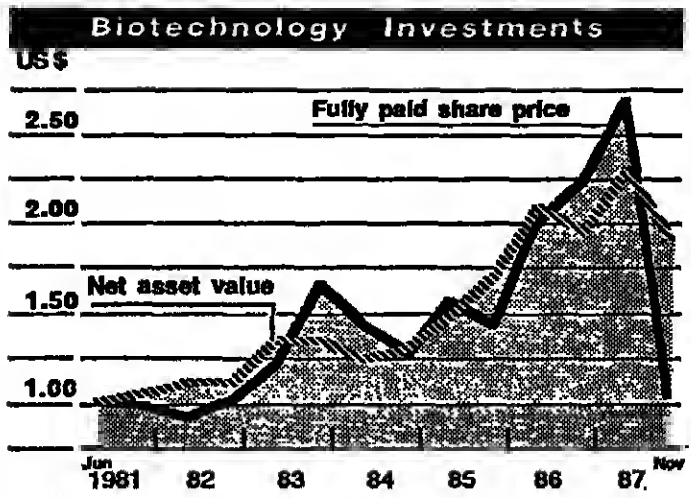
Nearly all favoured pharmaceuticals and bio-process equipment as the sectors of greatest interest, followed by diagnostics and plant agriculture. Fewer were looking for opportunities in animal agriculture, food and drink, or environmental control.

The most discouraging characteristic of the biotechnology proposals they received were identified as:

- lack of commercial management (although half of the fund managers thought this was equally prevalent in other subjects seeking venture capital);

The association's report ends with a warning for would-be biotech entrepreneurs. An over-riding theme in the responses of the fund managers is that although biotechnology offers many opportunities for venture capital, they are often not presented in a usable form. "Coaxing them into shape simply requires too much hard work. Competing investment opportunities can be taken up more easily."

Attitudes of UK venture capitalists to biotechnology investments. By Hilary Marsh. The Association for the Advancement of British Biotechnology, 1 Queen Anne's Gate, London SW1N 9BT.



Peter Rodgers (left), chairman and Ed Trewhella, secretary of the Association for the Advancement of British Biotechnology

Government support has switched from backing companies to co-funding projects

## Good ideas can lead to collaboration

"We don't really need that much more science for industry for the rest of the century. We need to identify what is needed."

THAT ASSERTION, by a senior British government scientist, sums up the government's attitude towards biotechnology as a well-developed "enabling technology" in search of the best opportunities for commercial development, preferably for an international market.

There are clear signs that the academic scientists who provided these powerful new industrial tools have now got the message that they must help industry use them. The Laboratory of Molecular Biology in Cambridge is an example of a national laboratory with an international reputation for its science which nevertheless has plunged enthusiastically into the art of technology transfer (see page 5).

Britain's national programme of support for biotechnology was launched in November 1982, in the wake of the Spinks report from the government's top technical advisers. During the next

five years it evolved what Dr Ron Coleman, chief scientist and engineer at the Department of Trade and Industry, has called "a rich tapestry of transfer mechanisms," including awards to research scientists, the "teaching company" scheme extended to biotechnology, and workshops for academic and industrial scientists designed to lead to joint development programmes.

It identified "chosen vessels" for industrial exploitation of government-funded bioscience: Celltech for human therapeutics, the Agricultural Genetics Company for food and agricultural opportunities, and Forton International with its special association with the Centre for Applied Microbiology and Research (CAMR) on Porton Down.

But the support for individual firms which has characterised much of the DTI's backing for biotechnology is no longer permitted under its new rules. Without renegeing on existing contracts, the Biotechnology Unit of the Department of Trade and Industry, under Mr Alex Williams, the Government Chemist,

is focusing wholly on collaborative programmes. The prototype is the "genetic tool-kit" programme set up two years ago, involving 11 collaborators from industry and academia.

A new one, announced under the Link scheme for funding research, is in eukaryotic (cellular) genetic engineering, which is proposed as a programme costing £4.6m over four years. The government will put up 50 per cent, shared equally between the DTI and the Science and Engineering Research Council (SERC), and industrial collaborators the other 50 per cent. One project proposed involves Glaxo, British Biotechnology and Oxford University.

Other collaborations of this kind are being devised on biotransformations (£4m proposed), and selective delivery of protein drugs (£3m). Both SERC and the Medical Research Council are involved in the latter. Several more collaborative programmes are planned under the Link initiative, including one on the use of genetically engineered

enzymes in food processing, with the support of the Ministry of Agriculture, Fisheries and Food. Mr Williams still uses the small team of government scientists and full-time technical advisers seconded by industry, built up as a personal thinktank

support of risk assessment concerning the release of genetically engineered organisms into the environment, whether deliberately or due to a leak. Scientific evidence so far suggests that the risk is very low. More evidence may help to convince European

governments which are cool about testing new agricultural and other products.

Because single company support has lapsed over the past year, the overall rate of government support for biotechnology has been falling. The Link initiative was delayed by debate over research overheads and intellectual property rights. Spending should now pick up again, limited only by the rate at which his

Biotechnology Unit can work up a new programme, Mr Williams says.

In Scotland, world-famous for whisky and once the scene of another ambitious fermentation of single-cell protein for animal feeds, nearly 50 small biotechnology companies have appeared during the 1980s. They divide about equally between bio-products and bio-services.

The biggest company, Shield Immunologicals, founded in 1982 by scientists with Dundee University Medical School to develop new medical tests, aims to be employing 250 by 1992. Another company, Fermentech, is Swedish-owned, with a licence from Pharmacia to make Protein A. It is seeking US government approval for its £1m plant.

The Scottish Development Agency is energetic in promoting opportunities for biotechnology in Scotland, as an alternative to its declining heavy industries. It is also driven by what is perceived as a brain drain of ideas and bio-skills to England, away

**The overall rate of government support has been falling. But spending should now pick up again, as the Biotechnology Unit works up a new programme**

Alliances can be arranged

ACCORDING to Dr Roger Hood, of Peat Marwick McLintock, there has been an explosion in the birth rate of biotechnology companies.

His firm's management consultancy regularly receives requests and approaches from biotechnology companies seeking a parent with the necessary capital and management skills, and also from big companies looking for biotechnology ventures. "Strategic alliances are now in vogue," he says.

They must be commercially attractive to both parties without destroying the R&D spirit of many embryo biotechnology companies. "The last thing many biotechnologists want to do is to be swallowed by a conventional research and development directorate from which many of them escaped in the first place," says Dr Hood.

Peat Marwick has set up biotechnology groups in London and New York. And what is the marriage broker's recipe for success? "In any successful alliance there must be a high degree of synergy in terms of marketing, attitude, ambition and desire of both participants," says Dr Hood.

"The skill of the consultants is to ensure this synergy exists and both parties are aware of it."

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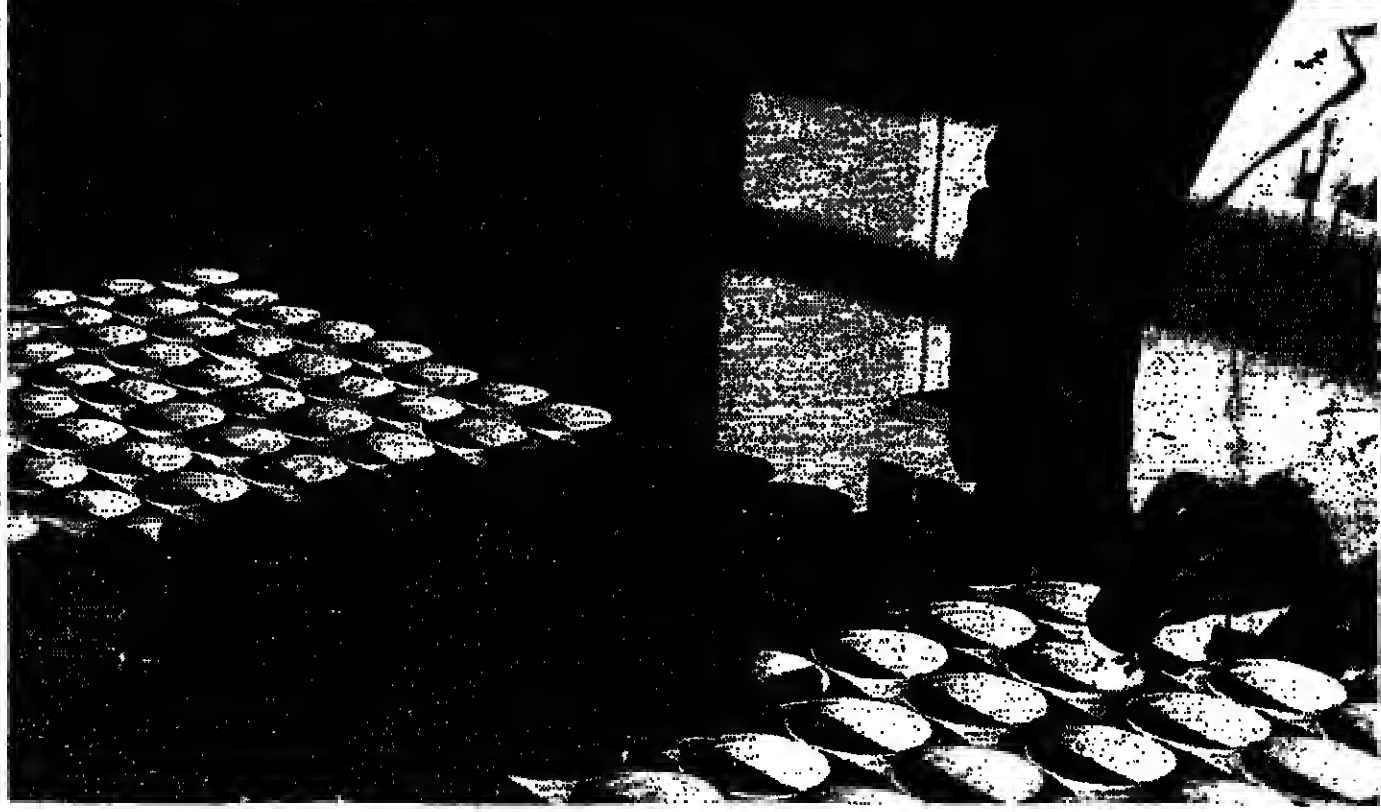
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BIOTECHNOLOGY 4

The challenge of international recognition

# More patent battles likely to limit the marketplace

IN CAMBRIDGE, Massachusetts, they tell of the boisterous British businessman who rang from the house he had rented on the New England shore and invited them over to discuss a joint venture in biotechnology.

From the barbecue Mr Bill Castell organised emerged Welgen Manufacturing, a £22m joint venture between Wellcome and Genetics Institute, a thriving US biotechnology research company with a cluster of novel drugs nearing the market.

The two partners announced their new biotechnology production plant would come on stream in 1992. It has been designed in Britain and combines Wellcome's renowned skills in large-scale fermentation with its partner's impressive portfolio of at least

eight new products invented since 1981, and its location in the world's biggest market for therapeutic drugs.

Mr Castell, chief executive of Wellcome Biotechnology, has already secured a bridgehead to the world's second-biggest market, Japan. Early last year Sumitomo Pharmaceuticals opened its Sumifur factory, based on Wellcome interferon technology, derived in turn from the company's traditional skills in vaccine development and manufacture.

The £20m Sumitomo facility, based on four 5,000-litre fermenters, is said to be the world's biggest deep cell culture plant making alpha-interferon from mammalian cells. Wellcome receives a royalty on its sales.

Few British pharmaceutical companies so far have been as keen as Wellcome to forge partnerships with the new biotechnology research companies. ICI has created its own "autonomous" biotechnology company in-house. Glaxo has acquired the Geneva laboratories of Biogen, once the fountainhead of that company's big portfolio of biotechnology patents.

But the leading British biotechnology research companies, including Celltech and British Biotechnology, have had to seek overseas partners for development of their new drugs.

However, Shell International Research embarked on a joint venture in research with Gist-brocades, the Dutch biotechnology company in 1983.

International Bio-Synthetics (IBS) is a 50-50 commercial venture, incorporating the industrial enzymes business of Gist-brocades and Ward Blenkinsop, Shell's fine chemicals business. It operates "at arm's length" from the two parent businesses.

IBS's initial target is purer intermediates for the pharmaceutical industry. Dr Herman Kooreman, director of New Business Development, told a meeting of the European Industrial Research

Management Association in Madrid last week.

More than 25 per cent of the drugs used today contain a therapeutic agent that is contaminated — up to 50 per cent — by a chemically closely related isomer. Often the isomer can have aberrant interactions with metabolic systems, he maintained. The same holds true of synthetic agro-chemicals and their interactions with ecosystems.

IBS's idea is that pure versions of the chemical, free from the undesired isomer, can often be produced by biotechnology. Since 1983 it has filed 10 patent applications. The company is after a share of the market for finished pharmaceuticals which it puts at \$900m in total worldwide, with a growth last year of about 4 per cent. Although much of this has been kept "in house" by the industry, a multi-billion business-to-business market remains open to competition.

The challenge as it sees it, is to persuade the pharmaceutical companies to pay for purer chemicals even though bio-synthesis tends to be more expensive than chemical synthesis.

In the longer term, it sees opportunities for bio-synthesis in creating new high-purity chemical complexes for the electronics industry, for example in liquid crystal displays.

Patents are still a major area of uncertainty for the inventive biotechnology boutique. Genetics Institute and Amgen each has a US patent on erythropoietin (EPO) made by different methods, the first by purifying a natural source, the second by genetic engineering. The two boutiques have filed infringement suits against each other and the legal squabble could continue for a couple of years.

Another major patent battle concerns tissue plasminogen activator (t-PA). A British patent awarded to Genentech in 1986 was revoked last year, when challenged by Wellcome on the grounds that its claims were too broad and threatened to hobble further research.

Genentech's appeal is expected to be heard this summer. The outcome could affect a score of companies working on t-PA.

A recent report from Eberstadt Fleming in New York, reviewing problems facing biotechnology, forecasts that patent battles will continue, even though investors would prefer to see disputes settled quietly and inexpensively

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### ICI research

## That elusive cash flywheel

NO BRITISH company is more keenly aware of the pitfalls of biotechnology than ICI, with the world's biggest fermenter idle on Teesside.

In the late-1970s, when the proliferating biotechnology research companies were all enthusing about genetically engineered interferons and other prospective cures for cancer, ICI's biotechnologists chose a less glamorous target. They deliberately sought a "cash flywheel," something which might keep cash rolling in from biotechnology, to finance what they knew must be a protracted and costly search for new bio-pharmaceuticals.

They hoped the cash flywheel would be a crude French bacteria in bulk on a diet of methanol. They spent prodigiously, developing and building a continuous fermentation and harvesting process to make their premium animal feed.

But Pruteen failed to fetch prices that repaid the heavy technological investment. The market today is limited largely to special diets for veal calves and piglets. "The economics do not look good," says an ICI executive.

Pruteen dented but did not destroy ICI's faith in biotechnology. The main board recognised it as an "enabling technology," underpinning some of its best prospects for future growth, notably in bio-pharmaceuticals and agro-chemicals. As Dr Charles Reece, research and technology director, says, over half the company's £400m annual R&D budget goes into biological R&D.

ICI has therefore created its own mini-company to pursue biotechnology. Biological Products is an autonomous company, smaller than some of the leading biotechnology research firms. But Dr John Russell, the general manager, can boast some impressive resources. He reports to no division, for Biological Products has its own advisory board of senior ICI executives.

Nevertheless, he has inherited such resources as the 50,000

tonnes a year Pruteen fermenter, the pilot fermenter of 1,000 tonnes a year capacity which coded the big one, and all the biotechnology R&D support. They add up to a replacement value of perhaps £60m, he says.

Dr Russell's latest acquisition is a £2.5m multi-purpose fermentation plant designed by the company and built by John Brown. It is based on a 20,000-litre fermenter. It draws heavily on the experience of making the Pruteen fermenter run continuously under sterile conditions, Dr Russell says.

Biological Products is earning upwards of £10m a year, partly from Pruteen sales, partly from a diversity of other bio-inventions now being made in "campaigns" on the new fermenter. They include an enzyme which accelerates the conversion of grass into silage, having a sales potential which Dr Russell puts at some millions of pounds a year. Another is an enzyme which destroys cyanide safely, with potential sales put at tens of mil-

lions of pounds a year.

A third is a biodegradable plastic called polyhydroxy butyric acid (PHB), made by force-feeding bacteria with sugar. PHB is a good example of how Biological Products plans to progress in biotechnology, through partnerships either with other companies or in-house with specific divisions.

No single application for PHB has emerged that yet justifies a fermenter of its own. But through a subsidiary, Marlborough Biopolymers, ICI has elicited commercial interest in a host of different medical, pharmaceutical, food and packaging applications. The polymer is not only biodegradable but non-toxic and "bio-compatible," meaning it stimulates no foreign-body reaction when buried as splints or spare parts in living tissues. It simply biodegrades and dissolves away.

In 1983, a fortuitous meeting between executives of ICI and Rank's Hovis McDougall, the food company, produced another partnership for what, in the view of



Sir Roger Bannister, Master of Pembroke, Oxford (right), receiving a cheque for £250,000 to support a college fellowship in microbiology from Frank Buckley, chairman and chief executive of BIP, the chemicals group

Dr Reece, could yet prove to be the cash flywheel they failed to find in Pruteen.

Through the joint venture, known as Marlow Foods, ICI has scaled up the manufacture of an edible fungus called mycoprotein with which RHM had been experimenting for nearly two decades. There were even suggestions at one stage that mycoprotein might be made in the big Pruteen fermenter.

It took much longer than the biotechnologists expected for the two partners to scale up RHM's technology from the 50-tonne plant at its High Wycombe research centre. Here were two very different companies, one 10 times the size of the other, in quite different industrial sectors and bringing very different technological and marketing experience to the project, says Dr Jack Edelman, chairman of Marlow Foods and former technical director of RHM.

A tenuous hold on the market, through Sainsbury and its pioneering "savoury pie" — which has mycoprotein instead of meat — had to be courted assiduously while the partners learned to make it in quantities that satisfied just this one customer.

For the past 18 months, however, Marlow Foods has been making it in the Pruteen pilot plant on Teesside, in continuous runs, at the rate of about 1,000 tonnes a year. It is made in sheets two metres wide, looking rather like chamois leather. The sheets are flash-frozen and stored until ready to be processed into "bits" of the size, shape and texture ordered by the food processor.

Today, the partners are confident the big technical problems have been overcome, not least in the "downstream" processing of mycoprotein. Marlow Foods is selling about 150 tonnes a year, mainly to Sainsbury and British Home Stores. But other potentially big consumers are expected to launch products soon. The customers seem to be people who like the taste and flavour of meat and other traditional sources of high-grade protein, but believe some mycoprotein could give them a healthier diet, Dr Edelman says.

The irony is that it has taken even longer than the pharmaceutical industry allows to bring a major new product to the market.



Derived from a tiny plant that is distantly related to the mushroom, Quorn has been developed by Marlow Foods, a joint ICI-RHM venture and is being used in a new range of Sainsbury's savoury pies and at British Home Stores restaurants (see story below)

cal complexes for the electronics industry, for example in liquid crystal displays.

Patents are still a major area of uncertainty for the inventive biotechnology boutique. Genetics Institute and Amgen each has a US patent on erythropoietin (EPO) made by different methods, the first by purifying a natural source, the second by genetic engineering. The two boutiques have filed infringement suits against each other and the legal squabble could continue for a couple of years.

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Genentech's appeal is expected to be heard this summer. The outcome could affect a score of companies working on t-PA.

A recent report from Eberstadt Fleming in New York, reviewing problems facing biotechnology, forecasts that patent battles will continue, even though investors would prefer to see disputes settled quietly and inexpensively

out of court.

With potential markets for drugs like EPO and t-PA put at hundreds of millions of dollars, companies "appear willing to spend \$5-10m on legal battles in the hope of excluding others from the marketplace." The report concludes that uncertainty about the outcome will continue to pose a risk to investors.

A leading US patent lawyer has endorsed this view. Addressing the recent Swiss Bank biotechnology conference in London, Mr S. Leslie Misrock, a partner in Pennie and Edmonds of New York, said his experience was that companies believed the important thing was not whether they were first, but what defences they could mount to their patent position. He argued that the scale of the potential profits encouraged a "winner takes all" attitude and discouraged cross-licensing agreements.

Primarily a healthcare company these days, Amersham International, with a world market for research reagents and medical diagnostics, has taken a different path altogether. It has been seeking a new product line

to sustain its high rate of growth from radioactive products into the 1990s. It believes it has found one in microbiology — biotechnology applied to the purity of food, drink and water supplies.

Amerham aims to apply the powerful bio-science behind its Amerlite medical diagnostics system, based on bioluminescence, to the development of new tests for microbial toxins such as salmonella in food.

An estimated 1bn tests a year are performed worldwide to control pathogenic organisms in food. "We could float a nice business just on salmonella," says Dr John Maynard, director responsible for new business.

Dr Maynard believes that, given simpler tests, far more testing would be done than today when it may take several days to culture the sample and produce a result. The company is working on tests that will take only hours, even minutes, he says.

The company claims it could save the British food industry alone about £100m a year by cutting the inventories of food being stored while awaiting the result of tests.

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## Biotechnology and the law

"It is thought that the growth in the biotechnology sector in the USA will be as great as that experienced by the computer industry in recent decades. It has been estimated that biotechnology will account for 11 per cent of Japan's GNP by the year 2000. It is clear that biotechnology is increasingly important to a growing number of companies and is likely to become even more so.

As the impact of biotechnology and the biotechnology sector grow, so does the need for legal advice given with experience of the problems peculiar to biotechnology and with understanding of the technology. ¶¶

An extract from *Biotechnology and The Law*, a copy of which may be obtained from:

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BIOTECHNOLOGY 5

Spotlight on recent - and future - advances

New ways to get into blood

THIS SPRING the world's biggest air-lift fermenter for cultivating mammalian cells is being commissioned in Britain by Celltech, the Slough-based biotechnology company. The lofty 2,000-litre culture system has been designed and assembled by company engineers at a cost of £1m.

From a brew of 2,000 litres the fermenter will culture a few hundred grams of pure protein. Sold as the kernel of a new drug or medical diagnostic, such material can fetch up to £500,000 per kilogram.

Celltech's past experience of scaling up such activities suggests that the productivity of its latest fermenter will exceed that of the pair of 1,000-litre units it last installed. The new unit brings its cell culture capacity to a total of 4,800 litres.

So far, it says, cell culture has followed the laws of scale-up familiar for more conventional kinds of process engineering, in terms of the economies it brings. They are already discussing the next stage, the fermenter for the early-1990s, of 5,000 or even 10,000 litres capacity, to stand alongside the latest Levanthan.

The technology has come a long way since Mr Gerard Fairclough and his colleagues, while putting together the company which was to become Celltech, discovered its origins in the Laboratory of Molecular Biology (LMB) in Cambridge.

Early in 1980, they found Dr Ed Lennox working there on ways of scaling up some of his own monoclonal antibodies, which were capable of discriminating between the different blood groups.

These monoclonal antibodies promised to simplify the tricky diagnostic procedure of blood typing for doctors. But Dr Lennox knew that they would be useful in medicine only if they could be cultured in substantial amounts - something no-one in 1980 knew how to do.

Mr Fairclough, previously managing director of Shell Chemicals, recognised from the start the importance of process technology to his embryonic bio-science company. He wooed Mr John Burch from the LMB to work on the scale-up of Dr Lennox's antibodies.

By 1982 Celltech was making them for Ortho Diagnostics, the brand leaders in blood typing reagents. Celltech also supplies the UK Central Blood Laboratory Authority.

"This provided the drive to get to the kilogram scale," says Mr Fairclough. The same process technology underpins most of Celltech's present and prospective products.

A bio-reactor of a very different kind is under development by



Gerard Fairclough, chief executive of Celltech

Photo Bioreactors, a new company based at Sonning near Reading, which is scaling up the inventions of a team at King's College, London, formerly led by Professor John Pirt. The company, to which Prof Pirt is now a consultant, raised venture capital from 3i Ventures and others to launch into pilot-scale manufacture of high-value materials derived from algae.

The reactor currently takes the form of "walls" of polythene piping, assembled into modules and interconnected into a system that continuously exposes algae to sunlight. The algae - rootless, single-cell plants - are suspended in a nutrient stream. Simple analogue controls regulate nutrient flow according to the energy that the organisms are absorbing from the sun through the reactor wall.

tors brought a technical concept that Prof Pirt had often been told was "impossible" to the stage of a convincing demonstration of a new biotechnology. It is emerging as a modular technology which the company believes should scale up to what it sees as a commercial size of "see-through" reactor.

The larger of Photo Bioreactors' two demonstration systems is rated at about 100 square metres of exposed surface. The company thinks of a commercial plant as about 10,000 sq metres.

However, executives believe such a plant could be built from modules of the size it is already demonstrating, for a cost of about £2m. They say it could be an attractive way of harnessing barren but sunny land.

A micro-filter developed originally for the nuclear industry in France, to separate isotopes of uranium, will find a role in a new biotechnology operation in Scotland later this year, when Bioseparation Associates begins to commission its blood fractionating process.

Mr John Watt, inventor and founder, is using rods of the ceramic filter to replace the customary centrifuges used in separating blood products.

The filter is not only robust and well controlled in pore size, but resists "blinding," which previously has hampered attempts to filter blood, he says. A micron-size ripple on the filter creates enough micro-turbulence to keep the filter from clogging and permits continuous processing.

Mr Watt has designed a process which he expects to cut to only 2½ hours a process that normally is a five-day fractionation by high-speed centrifuges. APV Baker is building a sealed unit to his design, incorporating the Ceraver ceramic filter. It will start work on abattoir blood.

Initially, its two main products are expected to be tissue culture medium for the biotechnology industry, and feed supplements for animal husbandry. But Bioseparation Associates and APV Baker also have hopes of a third market emerging early, for turnkey construction of blood pro-

cessing plants using the new technology.

An American technology expected to make an appearance in Britain this summer promises to have a dramatic impact on the speed with which genetic engineers can unravel the chemical structure of their DNA "targets."

Du Pont, the US chemicals group, has brought its chemical and engineering research together to invent a new high-speed system for sequencing DNA, called Genesis 2000.

According to its inventors, it is ten to 100 times faster than present sequencing methods, as well as more accurate. They believe it will open the way to routine use of sequencing in pathology and forensic testing, such as medical diagnoses and DNA fingerprinting.

The first system for Britain will go to the Medical Research Council's new Molecular Genetics Unit in Cambridge, headed by Dr Sydney Brenner. Dr Brenner has been a consultant to Du Pont's central research and development laboratories on the science behind Genesis 2000.

Its concept originated with Mr Rudy Dam and Mr James Prober in Du Pont's engineering physics laboratory. But Dr George Traenor led the design and synthesis of the fluorescent dyes used instead of the customary radioactive labels for sequencing. These labels, and the "terminators" to which they are attached, are the key to the sequencing speed.

The chemistry underpinning the sequencer requires a 67-stage synthesis - "the most complicated chemical product Du Pont has ever sold." It encouraged the company to take what for Du Pont is the unusual step of making and marketing a complete system, costing \$102,500, as well as the reagents.

Mr Prober says the company has brought research, design and marketing of the system together and, with a degree of openness for which it is not generally renowned, is allowing prospective customers to see the whole operation in Wilmington, Delaware. It is already using about a dozen prototype systems itself.

The physicists believe there is still plenty of development potential in their automated machine. Their first goal is to optimise its performance, which may increase its speed a further 50 per cent. But the next big target is a further 10-fold increase in speed.

Sequencing speeds of this order will be needed if the molecular biologists are to achieve their goal of mapping the entire human genome - some 3bn DNA fragments - in the next couple of decades.

Antibody engineering

The therapeutic rat

A NEW spirit of enthusiasm to see inventions adopted and exploited commercially to yield returns for their laboratory has been kindled in the Medical Research Council's Laboratory of Molecular Biology (LMB) in Cambridge.

In March it announced another important advance in the science of biotechnology, and simultaneously disclosed what arrangements had already been made for its exploitation.

The LMB reported that a human antibody had been refashioned into a therapeutic drug by transplanting snippets of a rat therapeutic antibody into it. The idea is to transplant just enough of the rat antibody to impart the desired therapeutic properties, but not so much that it produced a toxic response in the patient. The technique could overcome

major difficulties which molecular biologists have hitherto experienced in making human monoclonal antibodies by the Nobel-prizewinning hybridoma method pioneered at the same laboratory in the mid-1970s.

A team led by Dr Lutz Riechmann and Dr Greg Winter from the LMB and Dr Mike Clark and Dr Herman Waldmann in Cambridge University disclosed that clinical trials on the parent rat antibody had already begun.

The team hopes that the "humanised" antibody that they have made by antibody engineering will be available for limited trials later this year.

Custom-made antibodies could be the answer to several major medical problems, including cancer, heart disease and toxic shock, according to the Cam-

bridge scientists. They see antibody engineering having great potential in some difficult areas of disease, and as a major step on the road to more rational design of pharmaceuticals, targeted more specifically, and less subject to side-effects.

Celltech, the LMB's closest commercial collaborator, is already using antibody engineering to develop treatments for cancer, toxic shock, cardio-vascular disease and AIDS, using a patent applied for by the LMB.

But according to Dr Gordon Koch, part-time industrial liaison officer for the laboratory, antibody engineering is too big an invention for any one company - and even for Britain - to try to exploit exclusively. Dr Koch says the Medical Research Council is prepared to give its licensees assurances that the council will defend any patent infringement should this arise.

Mr Gerard Fairclough, Celltech's chief executive, says he believes his company has moved faster and further than any other in the world with the new technology. But he himself thinks "humanised" antibodies could have a much wider application in drug design than his small company could hope to cope with.

Several other companies are already negotiating for licences, among them Unilever for cancer diagnosis and treatment, and Scheringwerke, in West Germany, for the control of toxic shock syndrome. Scotgen, a new Scottish biotechnology company, is interested in the technology for tackling infectious diseases.

The MRC is also encouraging technology transfer from its Cambridge laboratory into industry, mainly through direct consultations involving the scientists. It also plans to use a new facility at its research centre at Mill Hill, north London, called the MRC Collaborative Centre, to facilitate technology transfer by undertaking confidential contracts for industry.

All this is a far cry from the acrimony of the 1970s when it came to light that a US laboratory had applied for the first patent relating to monoclonal antibodies. It transpired that the MRC had secured no protection of its rights to the discovery of the hybridoma technology. In contrast, the LMB today is an enthusiastic partner of the biotechnology industry at every level.

Continued on Page 6



A computer-generated model of Intron-A (alpha-interferon), one of the first genetically engineered drugs produced by biotechnology, based on research done for Schering Plough by Biogen

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